

BEYOND THE WELFARE STATE

Why fundamental reform is needed to preserve the wealth of nations New series, Page 13



Karel Van Miert

EC competition policy enters the real world



Is Germany competitive?

Tightening belts in Standort Deutschland Survey, Section III

FINANCIAL TIMES

Europe's Business Newspaper

Attali quits as Paris offers deal on Air France jobs

Bernard Attali, chairman of Air France, resigned after the French government said it was modifying a cost-cutting plan which sparked a strike hy the airline's employees. Mr Bernard Bosson, transport minister, said the government could not save the airline while clashing with its employees.

Bomb threat to peace talks: The Hume-Adams initiative to end the fighting in Northern Ireland appeared doomed as UK prime minister John Major led a fierce denunciation of the Irish Republican Army bombing which killed 10 people. Ulster Unionists demanded an end to the initiative and Mr Major ruled out early dialogue with Sinn Fein, the political wing of

General Motors backed away from confrontation with the United Auto Workers union over the weekend as it agreed to a new three-year labour deal closely echoing those reached by its Detrolt rivals Ford and Chrysler. Page 4

Turnberry Underwriters, a US company being investigated by the FBI and Florida authorities, is offering to help cash-strapped companies in the UK and Ireland raise finance. Page 7

Steel warning: EC competition commissioner Karel Van Miert has warned that Community steel prices could alump if EC industry ministers delay a restructuring vote on the Spanish, Italian and east German steel industries. Page 2

Delors moves to boost Maastricht: European Commission president Jacques Delors will today begin a campaign to breathe life into the Maastricht treaty to huild up momentum ahead of Friday's special EC summit in Brussels. Page 2; Lisbon calls for Emu flexibility; The new nine; what they would do, Page 2

Senna reported for punching driver

the IRA. Page 14



Brazilian Ayrton Senna (left), winner of the Japanese grand prix at Suzuka, was reported to the race stewards for punching a fellow driver at the end of the event. Senna was incensed by what he described as the "stupid and unprofessional" driving of Britain's

Eddie Irvine, who finished sixth in what was his first world championship event. After an argument Senna threw a punch, knocking the Northern Irishman down.

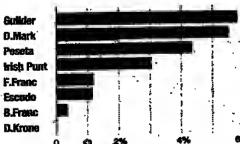
Branson buys out partner: Richard Branson has reinforced his control of his Virgin Atlantic Airways by huying out the UK airline's Japanese partner, Saibu Saison, for abont £40m-£50m (\$59m-\$74m). Page 15

Budget backing: Brazilian finance minister Fernando Henrique Cardoso has won Ilmited support from President Itamar Franco for measures to balance the country's budget. Page 5

Swedish forestry link-up: The Swedish government plans to merge its interests in three state-owned forestry groups to create one of Europe's 10 largest pulp and paper companies.

European Monetary System: The Danish krone remained at the bottom of the system at the end of the week in spite of a reduction in interest rates aimed at boosting the economy. The D-Mark remained near the top of the grid, below the Dutch guilder, but it could fall this week as investors switch funds from Germany into other European currencies and into the US dollar. Currencies, Page 27

EMS: Grid



October 22, 1993

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per

Rocard promises overhaul: Michel Rocard promised an overhaul of France's Socialist party and launched an attack on the government of Edouard Balladur following his election as Socialist leader on Saturday. Page 3

Three held by extremists: The kidnapping hy Algerian Islamic extremists of three employees of the French consulate-general in Algiers appeared to intensify a new campaign to force foreigners out of the country and weaken the position of tha government. Page 6

Papandreou pledge on inflation: Andreas Papandreou, Greece's newly elected socialist prime minister, has diluted his opposition to privatisation and outlined a set of moderate economic policies, pledging to reduce inflation and the rapidly rising public sector deficit. Page 4

Austria	-0-0-00	Grecos	D:300	Lux	LF+85	Celer	OR12.00
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		Hungary		Marocca	MDh13	Singapore	
Belgium Bulgens	Lw25.00			Neith	A 3.75	Slovek Ro	KSL45
Cyprus	CE1.00			Nigeria	Name 45	South Afric	2 K1230 Pb210
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Caech Rp				Oman	OR1.50	Switz	SF6.20
Denmark	DK/15			Paldstan	Rs35	Swint.	SESTION
Egypt	EXA.50			Philippine		Turnisia Turnisia	Dint.250
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Germany	DM3.30	Lebanon	US\$1.25	Portugal	Es215	UPE:	Dh11.00

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China seeks wide reforms of taxation and banking

By Alexander Nicoll and Tony Walker in Beijing

CHINA PLANS the most radical financial reforms in its post-revolution history with new tax arrangements and an extensive overhaul of the banking sector.

Mr Li Langing, a vice-premier, said in a Financial Times interview that a Communist party central committee plenary session before the end of the year would approve a hlueprint for further economic reforms. His remarks represent the most authoritative outline yet of the next phase of China's reform pro-

The reforms would be carried out in six areas; hanking, finance, taxation, investment, foreign trade, and enterprise management. These measures would build on the market-oriented reforms of the Chinese ays-tem introduced over the past 15 years, which have brought a growing tide of foreign investment into the country. The latest moves would complement those made earlier this year to restrain inflation and cool the economy through, for example, credit restrictions and interest rate increases. They would focua among other things on: Enhancing the regulatory and policy-making role of the People's Bank, China's central bank;

 Strengthening the archaic tax system, which the World Bank and other international institutions have been urging China to overhaul to increase revenues; Improving management of loss-making state enterprises, which are proving a huge drain on central government finances. The plans coincide with an intense debate within the leader

ship over the 16-point austerity package introduced in July to curh the overheating economy. Officials are urging a loosening of credit restrictions to cope with a crisis in the cash-starved state sector, where some enterprises have almost run out of money and are unable to pay workers. Mr Li said tha authorities

would make credit available to "profitable" state enterprises, and for purchases of agricultural products. But "strict control" would be maintained over money available for "overheated areas such as real estate development.

He said that although the 1993 economic growth rate would match last year's 13 per cent, the austerity measures had brought inflation under control, reduced money supply growth and stabilised the exchange rete at a reasonable level.

The vice-premier indicated that the centre-piece of new tax reforms would be the introduction of "federal style" tax-sharing arrangements.

The formula would divide tax revenues between the central government and the provinces, with a portion to he shared between the two. Under the present contract system, provinces are ahle to retain revenues beyond those they have "contracted" to remit to Beijing.

This has meant that wealthy coastal regions, such as Guangdoog province in the south, have reaped a revenue windfall while the centre has been starved of funds, weakening its control. Mr Li said that as well as

strengtheniog the regulatory authority of the People's Bank, the reforms would involve

Continued on Page 14

Proposal aims to cut wages bill by 20%

VW plans 4-day week in Germany as sales stagnate

By Christopher Parkes In Frankfurt

VOLKSWAGEN, Europe's biggest volume car maker, plans to introduce a four-day working week in its six German plants next year with the aim of cutting its wages bill hy around 20 per cent. The proposal will be approved

at a board meeting today, against a backdrop of gloomy forecasts for motor industry sales and of the company's failure to meet its target of breaking even this year. 'Four-day working is almost unheard-of in German industry. The fact that it is being introduced at such an important comcany is another indication that German trade unions are becoming increasingly amenable to

flexibla working practices under the influence of the worst recession since the second world war. Although workers will work four days, the factories will continue to produce for five days a week at reduced capacity.

Chancellor Helmut Kohl, industry associations and the Bundesbank have all demanded increasing flexibility from employers and employees to stop unemploy ment from reaching levels that might endanger "social peace". Unemployment in Wolfshurg, where VW is based, is at present around 13 per cent of the local

workforce. The group expects sales of

The German economy will grow by 1.5 per cent next year after shrinking by the same proportion in 1993, according to the traditional autumn foracast from tha country's six leading economic

They predict I per cent growth in the west and a 7 per cent rise in the east, based mainly on a recov-Report, Page 14

Volkswagen brand vehicles to stagnate in 1994 at this year's level of L4m vehicles, compared with L66m in 1992 its Spanish workers were told last Friday that 9,000 jobs - 40 per cent of the total payroll - were to be lost at Seat, and one of the company's three factories was to be closed. In Germany Volkswagen management is bound hy an agreement with the government of Lower Saxony, its largest share-

holder, and the company's work-ers' councils, to limit joh cuts to

the 18,000 agreed last winter, when Mr Ferdinand Piech became chairman. This foresaw a domestic work-force of 100,000 hy the end of 1994. However, union officials said last week that the payroll had already been reduced to

108,000, and would be down to 103,000 by the end of this year. A nominal four-day week would allow the introduction of more flexible working and the

rapid reintroduction of longer hours if demand improved, a VW sman said yesterday.

The impact on incomes of a basic 20 per cent cut in the pay bill would be softened by lower tax obligations, and possibly by spreading the payment of traditional Christmas and holiday bonuses over the full 12 months,

Board and senior managemen salaries have been frozen at VW for the next 12 months; middlemanagers are to have a 2 per cent rise, while a previously-agreed 3.5 per cent pay increase & Lourlypaid workers will take effect on November 1.

The proposais, which are understood to have the backing of union leaders, and Mr Gerhard Schröder, the Lower Saxony prime minister, will be put for mally to the workforce later this week. The project has been developed hy Peter Hartz, VW's labour director since October, who has a reputation for creative solutions to unemployment problems.

Apart from market conditions, Volkswagen's employment needs are also being reduced by the efficiency improvements introduced since the arrival of the group's controversial production director, Mr José Ignacio Lôpez de Arriortua. New working methods had already boosted productivity hy 23 per cent, company officials



Campbell faces poll defeat

CANADA'S Progressive Conservative party is bracing itself for defeat in today's general election, ending nine years of rule.

It has been a disastrous campaign for the party's leader, prime minister Kim Campbell, pictured at a raily in British Columbia at the weekend. Her inexperience and an unconvincing

policy platform have wiped out hopes that she would erase voters' memories of her unpopular predecessor, Mr Brian Mulroney.

Polls predict that the Liberals will gain enough seats to form a majority government. Page 5; Observer, Page 13; Canadian bonds, International Capital Markets, 2nd section AP picture

Bombs and bodyguards raise stakes in Russian banking

By Leyla Boulton in Moscow

A BOMB explodes at the central bank in the dead of night. Commercial hankers have private armies to protect themselves and their property: less fortunate colleagues have been gunned down.
This is not Colombia or Sicily,

With the collapse of the old communist order, the banks in this fledgling market economy are more than ever before a target and vehicle for fraud, money-laundering, and extortion. Although some banks are unwitting victims, others have been set up by mafia-style organisations to launder ill-gotten gains.

Until now absorbed with more basic problems, such as setting up a more efficient payments system, the Russian authorities are finally turning their attention to the need to clean up the banking sector. The central bank badly requires reforms to reduce its vulnerability to fraud.

"The real money in the country is with the banks," says Mr Sergei Rodlonov, the 32-year-old chairmao of Bank Imperlai, whose black Buick is said to be hullet-proof. "Why should racketeers roh small stores when they can get millions of roubles from banks?

Mr Rodionov declines to say how many people guard him and his family in addition to the 60 men who protect his bank. But

Continued on Page 14

Rowland warns Bock over future direction of Lonrho

By Roland Rudd in London

MR Roland "Tiny" Rowland, who has effectively run Lonrho, the international trading group, for more than 30 years yesterday warned Mr Dieter Bock, his joint chief executive, they were on the verge of a fight that could tear the company apart.

Mr Rowland, alternately poured scorn and vitriol on Mr

Bock while insisting he wanted to avoid conflict. Mr Bock wants to turn the secretive conglomerate into a more conventional company, initially by bringing in the first non-executive directors for two decades.

Mr Bock, who owns 18.8 per cent of Lonrho, also believes lts 16-memher hoard should he slimmed down, which would probably atart with the removal of executive directors of pension-able age. These include Mr Paul Spicer and Mr Robert Dunlop, supporters of Mr Rowland.

Mr Rowland said: "If Mr Bock says the pensionable directors bave to go, my answer to that would he 'over my dead body' ... I would say to him 'you must be stark ataring mad'." The 75-year-old entreprenaur said the removal of some of the

oldest directors would give Mr

Page 14 Prizefighter goes into the ring with Bock... _Page 15

Bock unfettered control of the international trading group.

Mr Rowland said: "If he got rid of four or five people, Mr Bock would sell everything for cash; there would he nothing left. He would get rid of everyone, including the tea ladies."

He compared relations with Mr Bock to his long-running feud with the Fayeds over the 1985 takeover of the House of Fraser. Following Friday'a sudden end to the eight-year legal battle between Lonrho and the Fayeds, Mr Rowland said he would also like to put his disagreement with Mr Bock behind him. "I do not

want it tearing Lonrho apart." He said he had not tried to find another investor to buy the German financier's 18.8 per cent shareholding. But he said good relations between the two men depended on Mr Bock accepting the status quo on the board. An adviser to Mr Bock said there were no immediate plans to

change the board. "The main objective was to get non-execu-tive directors appointed and that has been achieved."
Mr Bock is understood to be delighted that the expensive and time consuming feud with the Fayeds has been ended.

The German financier has taken heart from the latest shareholder research conducted hy Lonrho's stockbrokers, James Capel. It shows that Mr Bock and institutional shareholders command more than 60 per cent of the stock.

Mr Rowland cast doubt on his colleague's ability to run Lonrho'a husinesses. He said: "Mr Bock has sold assets which we were in the process of selling. It was all agreed before he arrived. The only deal he has done is with Peter Palumbo [over redeveloping a London site] and that was not with us."

Mr Rowland said that the two men, who earlier thia year described themselves as "indivisihle", rarely communicated with each other. Ha only found out about Mr Bock's recent partnership with Lord Palumbo hy reading about it in the newspapers.
For his part, Mr Rowland did

not inform Mr Bock about the impending truce with the Fayeds, deciding instead to first announce it in the Harrods' food

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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

London

European Bank for

Bidding for Environ

Agency, Trade Mark

Office, Medicines

Evaluation Agency

The Hague Most likely site for

Europol Drugs Agency

Environment Agency, Foundation for Training

Bidding for Trade Mark Office

Most likely site for

Frankfurt

Dublin

Bidding for Medicines

Evaluation Agency

Cambridge

Brussels

Bidding for Plant

Breeder's Rights Office

Council of Ministers

Lincombourg

Court of Justice European Investor

By Lionel Barber in Brussels and Philip Stephens in London

MR JACQUES DELORS. president of the European Commission, will today begin a campaign to breathe life into the Maastricht treaty to build up momentum ahead of Friday's special EC summit in

Working with the Belgian Presidency of the EC. Mr Delors will call for closer macro-economic co-operation and a strengthening of the fal-tering EC "growth" initiative at a meeting of EC finance ministers today in Luxem-

bourg.
The meeting marks the start of an intensive round of European diplomacy which could end on Friday with a decision on the site of a future EC central bank, more openness in the Community, and new "joint actions" to intensify humanitariao operations in former Yugoslavia and monitor the parliamentary elections in Russia set for December.

However, the summit could still be clouded by disagreements over implementation of economic and monetary union. Mr John Major, the British prime minister, yesterday dis-missed attempts by some of Britain's European partners to re-establish the Maastricht timetable for a single currency

as "folly". He also indicated Britain would strongly resist any watering down of the economic such things as ralative inflation rates and the size of public sector deficits - were "desir-

that the criteria have a role independent of the proposed in promoting sustainable eco-

Elsewhere, the pre-summit mood has been improved by the Bundesbank's unexpected decision to trim short-term interest rates by half a point.

meeting, finance ministers will put the final touches to legislation allowing the second stage of Europeon monetary union to begin on January 1 1994. This would also create the Euro-

saying the criteria - covering

Mr Kenneth Clarke, UK chancellor, is expected to reinforce that point at today's meeting of Community finance ministers hy telling colleagues timetable for a single currency

nomic growth

However, member states such as Belgium and France remain wary of cutting rates for fear of hreaking their link with the D-Mark in spite of the increased flexibility offered hy wider 15 per cent fluctuation bands in the European exchange rate mechanism.

summit as a chance to relaimch the Community after months of drift caused by the delay in ratification of Maastricht. He wants EC leaders to agree to closer macro-economic co-operation exploiting the provisions of the treaty.

At today's Luxemhourg

pean Monetary Institute, the guests go home proudly clutchprecursor of the European Cennomic and monetary union. Lisbon calls for

Emu flexibility

By Jimmy Burns and

THE MAASTRICHT Treaty's convergence criteria for economic and monetary union (Emu) should be rewritten next year if economic recovery fails to take hold in the Euro-Dean Community in 1994 according to Mr Vitor Martins, Portugal's secretary of state

for European affairs.
"Next year will be crucial for a re-evaluation of the coovergence criteria," he said in an interview. "If the European economy begins to recover I think we can live with the present criteria. But if the situation does not stabilise, we will push for a rewriting of

Portugal's own economy is far from on course to meet the convergence criteria. Last the government announced a supplementary budget for 1993 because the

bled from the 4.7 per cent of gross domestic product originally forecast to 8 per cent.

The rewriting of the treaty could take the form of changing the timetable or simply altering one of the criteria. sucb as the budget deficit, Mr

"It is important for public opinion to maintain the major goals of Maastricht. But if things are not going in the right direction we need to admit it and pursue it politi-cally," be said.

Mr Martins said Portugal was in favour of the enlargement in 1995 to include the four European Free Trade Association (Efta) states, but firmly against any constitutional change in the wake of enlargement that could lead to a twin-track Europe. "To open up the institutional debate in the EC now would be like pouring petrol on a fire."

able in their own right".

Mr Delors views Friday's

One UK official in Brussels compares the parcelling out of institutions to a children's party ritual in which all the

ing a bag of sweets. Governments have to choose homes for a rich variety of agencles. The most difficult horse-trading has focused on the well-publicised struggle to select the city to host the European Monetary Institute (EMI), the forerunner of the planned European central bank.

can be in short supply.

duce a deal which - barring

last-minute surprises - pro-

vides benefits for nearly every-

THE NEW NINE: WHAT

THEY WOULD DO

□ Europnan Monetary Institute: harmonising

☐ Europol Drugs Agency: handling data on narcotics.

European Plant Breeders' Rights Office: registering plant strains.

G European Trade Wark

Office: registering trade

C European Mndleise

□ Enropean Work Health

and Safety Agnneys improving work conditions.

☐ European Veterinary

☐ European Foundation for

Treining: bermonising

C European

Observatory: analysing and trends on drugs.

training procedures,

Also seeking a home are COMPLEX exercise in institutions aimed at harmon A EC lobbying is approaching a climax. ising Community policies on cleaning up the environment, Two years of wrangling on fighting drug dealers, licensing choosing sites for nine institu-tions designed to enhance pharmaceuticals, breeding plants and registering trade European co-operation have

shown how that commodity The key to the likely compromise is that Britain has However, Friday's special dropped its long-standing opposummit in Brussels should prosition to placing the EMI in Germany Mr John Major, the British prime minister, will reiterate London's attractions but this will be for form's

> sake only. After the French and Spanish governments this month came out publicly in favour of Germany, Frankfurt - heavily promoted by Chancellor Hel-mut Kohl and the Bundesbank

seems the probable choice. Mr Kohl claims this would buttress the German electorate's declining support for eco-nomic and monetary union (Emu). France in particular opposes a city which is already a financial centre Bonn, Mainz, Kiel, Wiesbaden and Berlin have been mentioned as alternatives.

But Mr Kohl has signalled strong opposition to anywhere but Frankfurt. In view of Germany's pivotal role in the politics of Emu, be is likely to have his way.

Pointing to what they see as the slender possibility that the EMI will grow into a fullyfledged central bank in coming years, British officials say the institute will have mainly academic" significance.

strengthened by last week's announcement that Mr Alexandre Lamfalussy, general manager of the Bank for International Settlements, is likely to be the first EMI president. Mr Wim Duisenberg, president of the Dutch National Bank, was backed by several countries as a mncb more high-profile choice to run the EMI. But he turned the idea

down, partly because the job

would offer him only limited

Bank (EIB) Euratom Court of Auditors European Parliament Lisbon Bidding for Munich

This Friday's summit is likely to send nearly everyone home with an institution

Who has what...and who wants what

Underlining the links between different parts of EC decision-making, there are several other reasons why the

Dutch government has not pressed Mr Duisenberg's candidacy.
Mr Ruud Lubbers, the Dutch That interpretation was prime minister, is bidding to become the next EC Commission president when Mr Jacques Delors departs at the end of next year. The Netherlands reckons that Mr Lubbers's

chances would be impeded if Mr Duisenberg were given the less important EMI post, On a still more Byzantine level, the Netherlands believes that nominating Mr Duisenberg as EMI chief would undermine its separate candidacy of Amsterdam as the EMI site.

furt has the upper hand. But they want formally to maintain Amsterdam's bid as a means of ensuring that the EC agrees to their alternative objective opposed by France - of bringing to The Hague the planned

Environment Agency

Madrid

Bidding for

Europol Drugs Agency. Several EC members are backing Frankfurt's EMI candidature in a blatant attempt to win German support for bringing other sought-after institutions to their capitals. Denmark - which, like Britain, has won an exemption from Emu says it supports Frankfurt as the price for awarding the Environment Agency to Copen-

The Spanish government has backed the German line for case either city fails to win the agency would be a greater

Environment Agency, Madrid and Copenhagen have their eye on a consolation prize: they are also maintaining fall-back bids for the Trade Mark Office.

Bidding for Medici

Evaluation Agency

London

Most likely site for

Medicines Evaluation

Ireland, which strongly supports putting the EMI in Germany, wants to host the European Medicines Evaluation Agency, which would investigate the safety and effectiveness of medicines across the Mr Brendan Howlin, the

Irish health minister, says Dublin is concentrating on winning the medicines agency, having given up earlier plans to lobby for the trade marks and environmental agencies.

The stiffest competitor bere is the UK government, which precisely the same reason. In now believes the medicines source of employment than the EMT.

estitute (EMI), forerunne

to European Central Ban

Mrs Virginia Bottomley, the UK health minister, bas recently visited Brussels to press London's application. She points to evidence that Swiss and US drugs companies, as well as British ones, support London's application.

A key component of Britain's case is that southern England offers a more liberal environment for pharmacentical research than competing areas on the continent, If Mr Major this week can persuade Mr Kohl of this salient point, Britain's chances of stitching up a deal will increase.

Report by Paul Abrahams, Lionel Barber, Hilary Barnes, Tim Coone, David Marsh and Ronald van de Krol

Brussels warns on steel restructuring

By Andrew Hill in Brussels

Karel Van Miert has warned that Comindustry ministers delay a vote next month on restructuring the Spanish, Italian and east German steel indus-

Mr Van Miert wants to present Com-mission proposals on state subsidies and capacity cuts for the publiclyowned steelmakers to a meeting of EC industry ministers on November 18.

But to do so, he needs first to agree a deal with the governments concerned. So far only the Spanish authorities have reached agreement with Brussels. The Italian government is still negotiating with the Commission about the proportion of debt which should be injected into a new privatised steel company, and the formula for calculating aid and capacity cuts. The German

government has yet to disclose its formal plans for private sector investment EC COMPETITION commissioner Mr in the Ekostahl plant in east Germany. In an interview with the Financial Times last week, Mr Van Miert said the

taken measures to restrict unfairly parts are still receiving subsidies. priced imports, monitor the steel market, and provide financial support for redundancies in the steel sector. But if It cannot present proposals to the German case was now "mainly a politi- November 18 meeting of ministers, Mr

The current price is still below that needed for the industry not to lose any more money

cal issue", but he agreed it was likely to be the most difficult problem to solve. Bonn is insisting that it should be allowed to subsidise Ekostahl because its privatisation is an important element in the overall restructuring of eastern Germany.

The EC is trying to put in place a rescue plan for the Community industry, to relieve problems caused by over-capacity, recession and cheap non-EC imports. So far the Commission has Van Miert fears that a 10 per cent rise in the price of EC steel products over the last few months will be wiped out, because the benefits and credibility of other elements of the EC's rescue proposals will be undermined. "[The current steel price] is still considerably below the price needed in order [for the

industry] not to lose money any more." Private-sector steelmakers will also be reluctant to cut production if they know that their state-owned counter-

important in this respect that closures at Ilva, the loss-making Italian steelmawould be a sign to the market that the operation is really under way, and then the private companies will put their cards on the table," he said. Three weeks ago liva announced plans to cut 11,600 jobs between 1994 and 1996. if Bonn and Rome do come up with

restructuring plans in time, the com-missioner believes ministers will reach unanimous agreement next month.

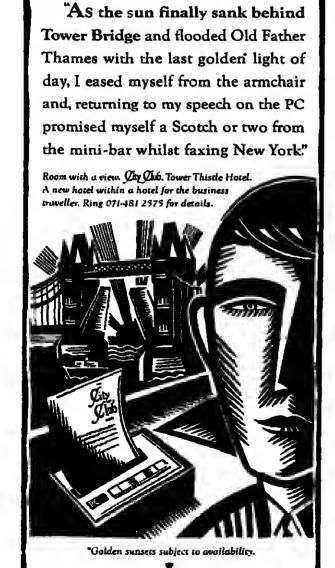
Mr Van Miert is under particular pressure because he will be in Japan next week, and will therefore be unable to seek Commission endorsement for proposals on the Italian and German industries. That would leave very little time to prepare for a vote at the minis-

See Monday interview, Second Section

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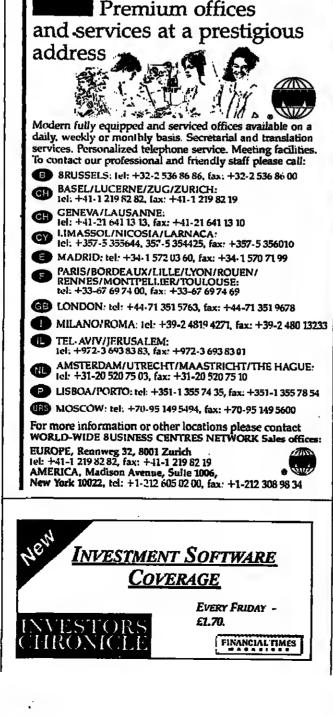


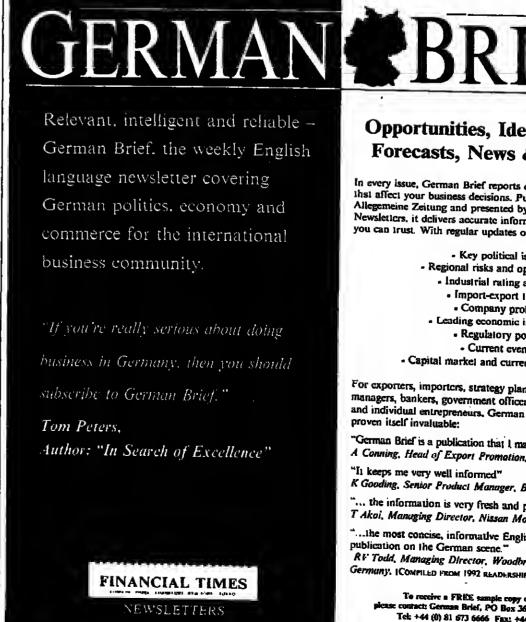
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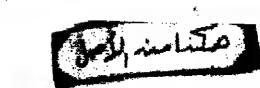
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Belgian PM spurns social pact

BELGIAN Prime Minister
Jean-Luc Dehaene yesterday
ruled out a new social pact
with unions, political parties

aimed mainly at boosting flagging competitiveness and shaving the social security hudget,
foundered last week after the and employers and said the government would go it alone with its own package of austerity measures, Reuter reports from Brussels.

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Mr Dehaene's decision to go ahead with his own plan could place the shaky four-party coalition government in conflict with the country's power-

ful trade unions. Talks on a new social pact,

socialist trade unions pulled out of discussions, saying the pact isvoured employers.

which had threatened to launch a strike on Friday over the social pact, said it would meet today to decide what action to take over Mr Dehaene's latest plan. The prime minister said in a

statement that he had aban-

prime minister and the vice-prime ministers have decided The socialist FGTB union. that the government itself will establish its own global plan," the statement said. Mr Dehaene said the gravity of the international economic

doned the idea of a social pact after weekend consultations with those involved in drawing and a growing deficit in social security, necessitating immediate action."

Political analysts had thought it unlikely Mr Dehaens would be able to win over his socialist ministers in the coalition, which is made up of socialists and Christian Democrats from the Frenchand Dutch-speaking regions. Mr Dehaene is a Christian Democrat

socialist parties had agreed with the premier's decision to draw up his own plan. The main components of the

social pact had been a three-year wage freeze; cuts in social security, healthcare and child benefits; higher excise duties; and new taxes on property and investment income.

Mr Dehaene did not indicate whether his new plan would include all these measures. He indicated the measures should

Rocard seeks rethink of Socialist policies

Rocard: won 80% of votes

Despite Mr Rocard's unop-

posed victory, however, the

divisions within the party which have contributed to its

electoral decline remained in

More than 100 delegates to

the weekend party congress cast blank ballots and there

The abstentions are believed

to have included Mr Roland

Dumas, former foreign minis-

ter and an ally of President

François Mitterrand, who is an

places on the list.

were 51 abstentions.

opponent of Mr Rocard.

evidence.

MR Michel Rocard yesterday promised an overhaul of France's Socialist party and launched an attack on the government of Mr Edouard Balladur, the prime minister, following his election as Socialist leader on Saturday.

Mr Rocard, a former prime Socialist party since its crush-ing defeat in March's general election, won 80 per cent of the 587 votes cast in a secret ballot for the post of the party's first secretary. He called for a reorganisation of the party and a rethink of policies aimed at reviving support from voters.
In his attack on Mr Balla-

dur's centre-right government, Mr Rocard focused on its conduct of negotiations in the Uruguay Round of Gatt international trade talks.

He said the government had acted irresponsibly and warned that failure to conclude sn agreement with trading partners would have dramatic con-

Mr Rocard also said he was willing to lead a list of Socialist party candidates in next year's elections for the European parliament. But he only would do so, he added, if women were given half the

sage to the congress stressing the importance of party unity hut failing to endorse Mr Roc-

Mr Rocard defeated Mr Laurent Fabius. Mr Mitterrand's protègé, in the lesdership struggle following the collapse of the Socialist vote in the March elections. The Socialists won just 54 parliamentary seats, compared with the 252 they held before being forced

out of office.

Both Mr Rocard and Mr Fablus lag behind Mr Jacques Delors, president of the European Commission, in opinion polls forecasting support in next year's French presidential elections. Mr Delors, who has declined to comment on the presidential elections, sppears in polls as the only Socialist able to defeat right-wing candidates in the elections.

· More than two-thirds of French people surveyed approve of Mr Balladur's tough tance on a world trade deal but nearly as many find the position confusing, according to an opinion poll published yesterday, Renter reports from Paris. The poll by the BVA group for France-2 television showed 67 per cent approved Mr Balladur's position on the Gatt world trade talks.

Accord close on Germany's nuclear power

crisis had forced the govern-

ment into the decision. "This

up a pact had failed. "It is impossible to continue with all

the social partners...the

urged

By Lionel Barber in Brussels

THE European Commission's monopoly right to initiate

Community legislation should

be removed under a new pow-

er-sharing arrangement among

EC institutions, according to a

report published today by the

London-based European Policy

The report suggests that the European Council of ministers

and the European parliament should also have the right to

initiate EC action or legisla-

tion. But it rules out downsecretariat of the Council or

the new European Union cre-

ated by the Maastricht treaty.

Sir Michael Jenkins, a former senior UK Foreign Office offi-

The report was written by

in Istanbul

THE Turkish government last

night announced key cabinet

changes, promoting hardliners

to both defence and interior

ministries in the face of grow-

ing public criticism of its handling of the Kurdish crisis.

Mentese, education minister

and an old colleague of Presi-

dent Suleyman Demirel, is tak-

ing up the law and order brief at the Interior Ministry.

The announcement comes in

the wake of bloody fighting near Lice in the Kurdish

speaking south-east, after the

killing of the Diyabakir gen-

darme commander on Friday sparked off a two-day battle.

Security forces used tanks and

armoured personnel carriers

to regain control of the town.

ernment may move on further democratic reforms in a bid to

undermine growing popular

support for the PKK Kurdish

separatist party. The govern-

ment move follows a weekend

of intense consultations in

Ankara, with Prime Minister

Mrs Tansn Ciller meeting

army chiefs and the National

The cabinet changes appear to end any hope that the gov-

Mr Mehmet Gulhan, a minister of state, is taking over as defence minister and Mr Nahit

OUTLINES of a compromise on the fraught future of Germany's nuclear power industry, allowing the current generation of power stations to keep operating for up to 40 years, have been worked out in top-level talks between

the government and opposition.

The plan would mean a switch from reprocessing nuclear waste to direct disposal - provided a new direct disposal site can be found by 2005. This would mean the current reprocessing contract with Britain's Thorp plant at Sellafield would not be renewed after the first phase, ending in about

being approved by the full Social Democratic party (SPD) opposition, commit-ted to abandoning nuclear power gener-ation within 10 years, are still regarded as slim. SPD leaders are angry that the government is seeking to link any accord on long-term subsidies for the coal industry with a deal on future use

of nuclear energy. The compromise has been thrashed out by a four-man working group representing Mr Klaus Topfer, the environment minister, who is a member of Chancellor Helmut Kohl's Christian Democratic Union (CDU), and Mr Gerhard Schröder, SPD prime minister of the state of Lower Saxony.

Mr Schröder is expected to present it today to a meeting of the SPD national executive in Bonn, ahead of the next round of cross-party "energy consen-sus" talks on Wednesday. The compromise represents the first

sign of a breakthrough in the long-running battle over the future of nuclear energy in Germany, which has been in effect frozen since the Chernohyl nuclear accident in the former Soviet

The deal is understood to include: a switch from waste reprocessing to direct disposal after the current reprocessing contracts (with France's Cogema and Britain's BNFL) expire:

direct disposal to the Gorleben salt mines in Lower Saxony (Mr Schröder's greatest concern);

• no moves to finalise Gorleben as a direct disposal site before 2005, hut agreement on a "long-term temporary storage" plan for high-level nuclear

· a deal on a 35- to 40-year working lifs for the present generation of nuclear power stations - less than the industry wants, but much more than the SPD has hitherto been willing to coocede; • the go-ahead for one new 1,500MW nuclear power plant of the new genera tion, currently being developed by Siemens of Germany and France's a search for alternative sites for Framatome, to be sited in Bavaria.

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End to EC | Turkey legislation promotes monopoly hardliners to cabinet By John Murray Brown

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	13.25 W. A	TUETHUSAT
BERLIN	10.50	DATLY
BRUSSELS	13.30	DAILY
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cial who served as ambassador to the Netherlands and deputy secretary general of the Euro-Sir Michael's other recommendations are that The rotating presidency of the EC should be extended from six months to a year, to provide greater continuity, and be held by a larger and a smaller state in partnership. The European Parliament should be strengthened with a second chamber of members

liaments. • A second chamber of the European Court should be created to deal with matters of Community connetence.

nominated from national par-

contribution to the post-Maasleepen integration while also taking in new members.

Europe, from European Policy Forum, 20 Queen Anne's Gate. London SWIIH 9AA. 15.

Security Council. The prime minister says she will travel to the area herself in the next few days. A curfew was still in place in Lice last night, after the government claimed the PKK killed 14 children and eight women in their attack on the town. Mrs Ciller is anxious to

The report is intended as tricht debate on how the EC should evolve as it seeks to

Britnin and the future

Newport

appease right-wingers in her party concerned the army may use the latest crisis to call for the reimposition of martial **New Ideas New Opportunities**

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& Opinios

First Soviet leader suffers the final ignominy

By Gillian Tett in Moscow

AFTER a year of being knocked off pedestals across the former Soviet Union, Lenin has suffered the final Russian humbling. An unnamed German businessman has offered DM1m (£406.5m) for ble embalmed body.

According to Russian officials, be wants to display It as e tourist attraction in Europe. The proposal will almost certainly be rejected. Although have received other western offers, they stress they have no plans to sell the body. Last week, Mr Yuri Luzh-

German businessman offers DM1m for Lenin's body

kov, the hard-nosed mayor of Moscow, suggested to Mr Yeltsin Lenin's body should be removed from its prestigious Moscow city officials say they

place to be given e "proper and add an extra note of politi-burial" with his mother and cal coorroversy.

sister in St Petersburg.
"The return of Lenin's body would be an act marking the return of national hurial traditions, as historically stipulated by the spiritual and cultural influence of the Russian Orthodox church," he said.

Any reburial of either Lenin or Tsar Nicholas II, shot by Bolsheviks in the Urals in 1918, would require the blessing of the Church - a factor that could delay the process onstretions in recent years,

Few officials openly admit that they are considering moving Lenin's body specifically in response to recent events. such as this month's revolt by communist hardliners. In public, at least, they argue that Lenin's family themselves requested that his body be buried in St Petersburg.

But, with the Lenin Mansoleum on Red Square a key focus for anti-communist demthe suggestion of closing it is undcobtedly intended as a symbolic boost to the reformers - and has already provoked bitter protests.

Lenin's niece, Mrs Olga Ulyanova, has denied he asked to be buried in St Petersburg, and insists on being consulted before any reburial. All the same, the mansoleum's warders say they heve been besieged by calls from anxious relatives of the deceased, concerned by ramours of a secret removal of the body.

ers have the upper handalthough only 45 per cent of Russians in the summer supported removing Lenin's body, the figure shot to 62 per cent after the failed revolt, accord-

ing to a recent opinion poll. But Mr Yeltsin's officials say that the reburial is unlikely to occur before the parliamentary elections in Decembernot least because, in the best Soviet tradition, there is now a queue for reburial.

Top of the list, says Mr Ser-

For the moment, the reform- get Filatov, Mr Yeltsin's chief of staff, is the Tsar's family. Others potentially awaiting reburial include Leonid Brezhnev, Josef Stalin and the American Bolshevik sympath-

square from the mausoleum, the official Lenin Museum last week opened an alternative. Tourists can now visit a political waxworks featuring not just Lenin, but also deathly-looking figures of Messrs Yeltsin and Mikhail Gorbachev.

iser John Reed. Meanwhile, ecross the

settlement, yesterday sought to enlarge their territory. launching an offensive on the Croat-held town of Vares, central Bosnia. UN officials said the mainly Moslem army was trying to link up with soldiers trapped in the Croat enclave, mostly

spared in the 19-month war. "The Bosnian army opened up a route to relieve its people within the pocket. Having done that, the Bosnian army is pressing ahead with an assault along the northwest-to-southwest flank of the Croat-forces," said Colonel Bill Aikman, spokesman for the UN

Bosnians

offensive

BOSNIAN government forces.

in the absence of a political

launch

new

Protection Force. Sarajevo radio said the offensive followed the complete destruction by Bosnian Croatian forces of Stupmi Do, a Moslem village on the out

skirts of Vares. The Croatian Defence Council (HVO) "burned houses and killed civilians," said the

"The village of Stupni Do is still burning. There will soon be an offensive to liberate this part of Bosnia." Vares, under the control of

the HVO, lies on a key road from Sarajevo to Tuzia, one of the biggest government strongholds, in the northeast. Bosnian government forces, under President Altje Izetbegovic, are trying to re-open the roote to Tuzla, blocked since the collepse last May of theh alliance against the Serbs with the HVO.

Mr Fikret Abdic, a local leader from the dense Moslem beartland in the northwest, last week signed "peace agree-ments" with Serh and Croat nationalists.

Mr Izetbegovic now fears that other enclaves, cut off from the Bosnian capital, may hroker separate deals with-Serb and Croat adversaries in an attempt to end their isolation before the onset of the second winter of war.

Mr Ahdic's peace pacts appeared to prompt e 500-metre advance at the weekend by Serb troops. Sarajevo redio said it was joint assault by the "Serbian aggressor" and forces loyal to Mr Abdic aimed at ment control over the Moslem

GM agrees three-year labour deal

By Richard Waters in New York

GENERAL MOTORS backed away from confrontation with the United Auto Workers union over the weekend as it agreed to e new three-year labour deal closely echoing those reached by its Detroit rivals Ford and Chrysler.

The deal, subject to approval of 241,000 UAW workers, heads off the strike threat at the world's biggest carmaker.
But it could also hit the share price of GM, which faces higher pension costs as e result of the agreement.

The deal was reached at 1 am on Sunday morning, after 16 hours of talks, and more than a month after the company's last labour agreement expired. The UAM and the state of the sunday agreement of the sunday agreement agreement. expired. The UAW said it closely resembled the deal struck between the union and Ford last mouth, which had set the pattern for the Chrys-ler agreement, though GM refused to comment.

Pensions and job security lauses were the main sticking points over which an agreement almost foundered. Under the Ford agreement, workers with more than 30 years' service will get a 13 per cent rise in their monthly income, to \$2,030 (£1,365). GM, which already faces an unfunded pension liability of \$19bn and would be harmed more than tts rivals by higher pension

costs, resisted a similar rise. Mr Gerald Knechtel, vice president in charge of personnel for GM's north American operations, said the deal would allow the carmaker to maintain its "momentum in improving its operating performance in the US".

CORRECTION

Owing to a typographical error, the article on Hungarian privatisation published on October 19 stated that the government's small investor shareholder programme would cover only 0.75 per cent of state companies. The true figure is between 4 and 5 per cent.

Regional campaigners quick to learn electoral tricks

AS Russian President Boris Yeltsin's allies lay their plans for the coming elections. Mr Boris Mizrakhy. a pro-Yeltsin official in the distant city of Chelyabinsk, has been poring over

electoral maps.
For, as the campaign for the December parliamentary elections gets under way in Russia, pro-Yelt-sin forces in cities such as Chelyabinsk are already using every elec-

toral trick for the battle. "We [in the government] have the right to set the electoral boundaries. So we will set them in a way that is good for the Yeltsin parties," says Mr Mizrakhy, who works in the local pro-Yeltsin administration and is himself planning to stand as a candi-

Judging from the political climate in Chelvabinsk - an industrial region in the Urals 1,800km east of Moscow, with 3.6m people and many key nuclear missile sites - it seems that the pro-Yeltsin forces may not

Following Mr Yeltsin's crackdown on anti-Yeltsin officials in receot weeks, his opponents in the regions are in disarray.

The chief opposition to Mr Yeltsin in Chelyabinsk, and in most of the 88 regions and autonomous republics of Russia, bas been the regional council, which was elected four years ago at the same time as the oow-defunct Russian parliament, and dominated by Soviet era offi-

The Chelyabinsk council has vociferously supported parliament - dur-ing the receot battle in Moscow it thrice passed resolutions condemning Mr Yeltsin's actions, and has repeatedly demanded economic

autocomy for the region.

And although Mr Yeltsin appealed to the regional councils last week to dissolve themselves, the council has so far defied the decree.

"We will fight on. You in the west

the west and one for Russia - where else would you allow a president to sack all its elected councils?" says

But in spite of the bitter words, the anti-Yeltsin forces are in confu-

Gillian Tett reports from Chelyabinsk

sion, with many claiming that they have been "betrayed" by extremists in the Russian parliament.

A decree from Mr Yeltsin has stripped the council of most of its powers and budget. And although the council plans to participate in the elections, the local media remains pro-Yeltsin, and most of the anti-Yeltsin parties banned.

Some in the council hope the Unity and Accord party, founded by Mr Sergei Shakrai a week ago, will provide an alternative platform, par-ticularly since Mr Shakrai's party is now organising in the provinces. In recent months, Mr Shakrai has

been at pains to cultivate support from regional councils and repeat-edly telephoned the Chelyabinsk council last week.

But though the Chelyabinsk council believes that a large proportion of the population still supports it, it will have an uphill fight against the pro-Yeltsin forces, who have already organised themselves around the "Russia's Choice" party - the party beaded by Mr Yeltsin's close ally, Mr Yegor Gaidar. In the last year Mr Gaidar has taken pains to court Chelyabinsk's administration - he twice made the two-hour flight from Moscow to visit the local governor. Mr Vadim Solovev.

Meanwhile, the Russia Choice group has already started selecting its candidates and providing finance for their campaign.

"I am taking part to defend my many of his counterparts across the business and defend the reforms," country - has a personal vendetta to says one candidate, who fears that if the Communists came back to power they would strip him of the private meat factory he owns.

But, as in most other regions of Russia, the ideological labels of 'communist" or "democrat" conceal a host of private rivalries.

The "democrat" side, headed by Mr Solovev, for example, is far from "democratic" in some of its atti-

Mr Solovey, for example, believes that if too many Communists are elected to the parliament, Mr Yeltsin must dissolve it, and strongly opposes elections for his own post as

"If we had elections an old Communist might win. Would America and other countries want a Communist controlling a region with thousands of nuclear warheads?" he says. Meanwhile, Mr Solovev - like so

His main rival, Mr Pyotr Sumin, the head of the local council, was originally an ally of Mr Solovev. Until the end of the 1980s the two men worked in the local Communist party, and were such friends they built their dachas next door to each other.

However, when Mr Solovev was selected by Mr Yeltsin to be governor, the men became deadly rivals, with Mr Sumin taking the anti-Yeltsin side.

The political rivalry has now led to the two men building a two-metrehigh wall between their gardens.

And as the bitter battle for the elections get under way across the country, it seems that personal power struggles such as this one rather than ideological abstractions - could yet be the key force in much of the election.

Papandreou pledges creation of Christopher will press stable climate for investment

By Kerin Hope in Athens

MR Andreas Papandreou, Greece's newly elected Socialist prime minister, bas outlined a set of moderate economic policies, piedging to reduce inflation and the rap-idly rising public-sector deficit and "create a stable climate for

In his policy statement to parliament at the weekend, Mr Papandreou diluted his opposition to privatisation, saying that minority shareholdings in state enterprises would be floated oo the Athens stock exchange.

"Privatisation is not incom patible with our policies, provided that it doesn't lead to private monopolies." he sald.

Mr Papandreou singled out OTE, the state telecoms company, as a candidate for a partial flotation, to raise funds for

investmeot. However, he repeated that the Socialist government would repeal a law passed ear-lier this year providing for the sale of a 35 per cent stake in . OTE to an international tele-

coms operator. Mr Papandreou also underlined that the Socialist govern projected revenue shortfall of ment was still committed to at least Dr500bn, the result of major infrastructure projects. Wersening tax evasion as receslaunched by its conservative

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special attention being given to transpareocy".

Despite trying to dispel fears that fiscal prudence would be abandoned, Mr Papandreou did not propose any new revenueraising measures to offset the loss of an estimated Dr330bn (£922m) in privatisation income

this year. . He said the Finance Ministry would intensify efforts to speed tax collection to make up a

sion deepens. Domestic borrowing will be He said a project to build a increased to cover the widenawarded to a international con-sortium led by Hochtief of Ger-cent of gross domestic product' sigence" over the name dismany, would go ahead with by almost three percentage pute.

points, according to indepen-dent analysts.

On foreign policy, Mr Papan-dreou stressed Greece's commitment to European economic

He said Greece would try to build good-neighbourly relations with Turkey, its traditional enemy, and would work to re-establish multilateral co-operation in the

Balkans. However, Mr Papandreou did not clarify bow Greece could play a constructive role in the Balkans while refusing to recognise Macedonia under that name.

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THE FINANCIAL TIMES -

PUTTING THE COLOUR

BACK INTO ART

Kiev to give up missiles

By Jiff Barshay in Kiev

MR Warren Christopher, US secretary of state, will today arrive in Kiev bearing gifts and reassurances, as part of Washington's new tactic to press Ukraine to relinquish its

nuclear arsenal. Since the summer the US has shifted its approach towards Ukraine to cooditional economic assistance, encouraging Ukraloe's nuclear disarmament through small carrots of financial aid and high-level

diplomatic contacts. Ukraine is the third largest nuclear power in the world 1.656 nuclear weapons. Inherited from the former Soviet Union, this is larger than the arsenal of Great Britain. France and China combined. Though President Leonid

Kravchuk has already obliged Ukraine to accede to the 1991 Strategic Arms Reduction Treaty (Start 1) and become a non-nuclear power according to the 1992 Lisbon protocol, Ukraine has not ratified or implemented these agreements, which would transfer all its nuclear weapons to Rus-

Instead Ukraine has been hanging on to them as bargaining chips with the west for economic aid, security guarantees

and international attention. Only last week Mr Kravchuk said Ukraine should keep its 46 modern SS-24 missiles because the west is not doing enough to help Ukraine. Kiev is asking



for \$2.5bn (£1.6bn) to dismantle

their nuclear arsenal. In addition Ukraine is looking to the west for security guarantees to protect its borders, and membership in Nato. Kiev is wary that Nato might expand into eastern Europe to include former Warsaw Pact neighbours, such as Poland, but leave Ukraine to fend for itself within Russia's sphere of

During Mr Christopher's oneday stop in Kiev on the tour of the former Soviet Union and eastern Europe, be is expected to announce a \$330m aid package of agricultural credits and technical assistance.

Leyla Boulton writes from

Moscow: On his way to Ukreine, Mr Christopher stopped in Almaty, the capital of Kazakhstan, where he received assurances from President Nursultan Nazarbayev that the republic would stick to commitments to dismantle its nuclear weapons.

Commonwealth plans to assist in South Africa poll

COMMONWEALTH leaders will today finalise a plan to help South Africa prepare next April'a general election and help monitor the poll liself. Chief Emeka Anyaoku, the organisation's secretary general, said last night,

Mr Thabo Mbeki, a senior African National Congress official attending the conference as an observer, has raised the prospect of a longer-term Commonwealth role, inviting the body to act as a human rights "wetchdog" to help protect minority rights after a new government is installed. South Africa, out of the Com-

monwealth since 1961, is expec-ted to be readmitted after the Together with further discussions on world trade and debt. South Africa was one of the main items oo the agenda dur-

ing the heads of governments'

retreat over the weekend at the

historic centre of Paphos. Mr Mbeki welcomed Commonwealth assistance but gave a further dimension to the body's role in South Africa and elsewhere by proposing it cootinue to play a watchdog role tion of a new government.
The suggestion will be welcomed by many Common-

wealth leaders keen to ensure that the association's principles are put into practice. British officials have always been cautious about such proposals. however, aware that policy in Northern Ireland would come under the scrutiny of e standing committee that would monitor and investigate human rights abuses in Common-

wealth states. Leaders were also preparing the conference communique, to be issued when the five-day summit ends this evening. It will confirm that the membership application from the west African state of Cameroon will be provisionally accepted, subject to implentation of political and human rights reforms.

Mozambique is also expected to apply for membership after next year's general election. Meanwhile

trade ministers from Malawi Mauritius, Canada, Barbados and Ghana were chosen to put the Commonwealth case for e successful end to the Uruguay Round of trade talks to negotietors in Paris, Washington, London and other capitals.

Palestinians' release near

Mr Shimon Sbetreet. Israel's economics minister, said yes-terday's weekly cabinet meeting had agreed to start a grad-ual release of 760 Palestinian prisoners over the coming days. Julian Ozanne writes from Jerusalem. The first batch will include the old, sick, women and children.

Romania controls Romanian Prime Minister Nicolae Vacarolu has ordered price controls and curbs on

imports in a new blow to economic reforms, Reuter reports. Georgia in CIS Mr Eduard Shevardnadze, the Georgian leader, has signed a decree formally entering his

country into the Common-

wealth of Independent States,

Itar-Tees reported, writes Leyla Boulton from Moscow. Liechtenstein poll

Early results in yesterday's Liechtenstein election showed the senior party in the principality's ruling coalition was likely to lose its majority to its alltance partner, Reuter reports from Vaduz Based on preliminary results from five out of 11 constituencies, the centrist Fatberland Union appeared likely to regain the majority it lost earlier this year to the right-wing Progressive Citizens' party.

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Liberals set of for Canadian poll victory

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CANADIANS set aside their political differences yesterday to celebrate the Toronto Blue Jays' second consecutive victory in the World Series base-ball championship. But tha exuberance of the bundreds of thousands of fans who clogged downtown Toronto will not prevent Canadian voters exposing the widening fault-lines in their society today when they go to the polls.

Mr Jean Chretien, whose Liberal party is almost certain to end nine years of Progressive Conservative rule, saw the Blue Jays' nail-biting win over the Philadelphia Phillies as a good omen for the success of

his own party.
If opinion polls are correct, the Liberals will be left as the only national party with significant representation in the 295seat House of Commons.

The Conservatives, led by Ms Kim Campbell, and the left-ofcentre New Democrats are bracing themselves for some of the most devastating setbacks in Canadian political history,

as Canada's first woman prime minister four months ago, has had a disastrous campaign. Her inexperience and an unconvincing policy platform have wiped out hopes that she would erase voters' memories of her unpopular predecessor Mr Brian Mulroney.

Most of the opposition seats are expected to be occupied by two fledgling regional parties, the secessionist Bloc Québécois and the populist Reform party, whose main strength is in western Canada.
An unusually large number

of three- and four-way contests make it difficult to predict the precise result. But the Bloc is set to win the vast majority of Quebec's 75 seats, while Reform candidates will probably pick up several dozen Alberta and British Columbia constituencies now held by the Conservatives.

Many English-speaking Canadians wonder whether MPs whose main goal is to The potential for growing break up the country should become Her Majesty's Loyal friction between Quebec and the rest of the country was Opposition. Mr Lucien Bouchard, BQ leader, said he would fight any attempt to underlined over the weekend by suggestions that the Conservatives should form ally with stop the BQ forming the offi-

The Phillies' Darren Daulton beats the Blue Jays' Roberto Alomar to second base cial opposition if it gains the most seats after the Liberals. "People better not come and Reform to prevent the BQ from forming the official opposition. tell me that they will not respect the democratic will of Quebeckers," be said. Mr Bouchard indicated however, that he would not move into the

cial residence in Ottawa.

will gain enough seats to form a majority government have brightened the mood of financial markets. Tha Canadian dollar soared by almost two US cents last week, and bond prices have regained most of the losses they suffered at the start of the campaign. leader of the opposition's offi-



Guaranty in cutting its prime rate last week by half a per-centage point to 5.5 per cent. ernment regulators to prevent the US expansion of banks and

The Fair Trade in Financial Services legislation has been debated in Congress for years. The measure was backed with some reservations by the Busb

gest opposition has come from the Federal Reserva Board, which has contested the desirability of limiting access to US financial markets.

While the primary target of

the Japanese securities mar-ket, US commercial bankers say that in their sector the leg-islation would be most likely to come into play against such countries as South Korea, Taiwan, Singapore and Brazil.

Mr Bentsen is also expected to voice support for legislation authorising banks to expand outside their home states - a measure now being discussed

CIA labels Aristide a murderer

PRESIDENT Bill Clinton has sprung to the defence of Mr Jean-Bertrand Aristide, the exiled Haitian president, after a Central Intelligence Agency assessment described him as a mentally unstable murderer, writes George Graham.

financial companies from coun-

tries which do not offer equal

Mr Lawrence Summars.

ccess to US companies.

Mr Clinton said the evidence from Mr Aristide's brief spell as Haiti's president before he was forced out in 1991 by a military coup tended to undermine those reports. During the time he served as president, political terrorism and abuses went down in Haiti, not up," Mr Clinton

the right wing, a CIA analyst told members of Congress last week that Mr Aristide had ordered the murder of an opponent and spurred mob violence, and cited medical evidence that he suffered from manic depression.

Mr Aristide has denied the allegations, and has countered with charges that the military leaders who now control the country are involved in drug trafficking.

The Clinton administration, meanwhile, has been placed in the embarrassing position of having to discradit its own intelligence

Wheat exports to US face trade sanctions

By Laurie Morse in Chicago

US congressmen representing northern wheat-growing states may be close to success in their push to impose emergency curbs against Canadian wheat imports into the US.

The congressmen, led by North Dakota Senator Kent Conrad, have been campaigning against agricultural provisions of the US/Canada free trade agreement for a year, and see a fresh opportunity to push their case in Washington as President Bill Clinton's search for votes in support of the North American Free Trade Agreement becomes more desperate.

Wheat growers in North Dakota, Montana and Idaho say Canada unfairly subsidises rail transport for its wheat exports, lesving US producers at a disadvantage. However, they were unsuccessful in pressing their case before a US/ Canadian arbitration panel in

Mr Michael Espy, US agricul-ture secretary, and Mr Mickey Kantor, US trade representative, indicated in mid-September that they supported using an emergency section of the US Agricultural Adjustment Act against Canada. The section would impose either tariffs or quotas on Canadian imports.

Mr Eapy so far has not imposed sanctions but could do so soon, after Canadian elec-tions today. I think the general sentiment is, we don't want to make a decision on a trade issue that could have a

potential impact on the outcome of the elections," said a spokeswoman for Mr Conrad. The wheat dispute is another exampla of special interest farm groups' pressure on

national trade policy. It centres on durum, a variety of wheat used to maka pasta. US production has fallen as farmers choose to plant hard red spring wheat, which is a more profitable crop. Durium comprises only 3 per cent of the entire US wheat

· However; the US Department of Agriculture has been aggressively exporting US durum to countries such as Turkey and Algeria using its expor enhancement programme subsidies. It plans to sell about 816,000 metric tonnes of durum under the programme this year, at an average cost to the US taxpayer of about \$1.75 (£1.15) a bushel

The outflow of durum under the programme has boosted prices paid to US farmers to a near-record \$4.50 per bushel. and left US durum processors scrambling for high-quality

Canada has filled in the deficit, selling about 398,000 metric tonnes of durum to US proces-

While North Dakota wheat interests say tariffa against imports will further raise prices for US farmers, their critics contend that sanctions will either put domestic durum processors out of business, or force them to relocate to Can-



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Brazil's budget moves backed

By Angus Foster in São Paulo

MR Fernando Hanrique Cardoso, Brazil's finance minister, has won limited support from President Itamar Franco for a set of measures designed to balance the country's bud-

But there is concern among business groups and foreign investors that Mr Cardoso is acting too slowly and that his measures will be insufficient to tackle Brazil's annualisad inflation rate of close to 2,000

Following a meeting of senior ministers late last week. Presidant Franco said he would support the extension of Brazil's privatisation programme and stressed the need to wipe out the government'a budget deficit, otherwise expected to reach \$25bn (£16.5bn) next year. Details of the new measures are due to be pub-

lished soon. The prasident's announcement was seen as only a par-tial victory for Mr Cardoso, who faces strong opposition from other ministers. The privatisation programme, which has successfully sold off Brazil's steel industry, is now expected to be extended to the electricity sector as well as the state railways.

But Companhia do Vale do Rio Doce, the state-controlled mining concern, is unlikely to

too divisive politically. The two most sensitive state monopolies, the telecommuninies Telebras and Petrobras, are protected from privatisation by the 1988 constitution.

A constitutional revision now under way has been delayed by a corruption scandal and Congress is divided on whether the companies should be opened to competition.

Mr Cardoso and his economic team are expected to try to wipe ont this year's budget deficit of about \$6bn immediately through tax measures. Steps to address next year's shortfall will need the approval of Congress, which will be diffi-cult in an election year. One idea being considered is a new, higher-rate tax bracket to target the country's wealthy.

"The minister felt he was successful. He would have liked more, but that is politics," one of his assistants said. Mr Cardoso's moves were cautiously welcomed by the business community, although there is concern about the privatisation programme and that spending cuts are mora impor-tant than tax-raising measures.

"Brazil is already one of the most heavily taxed countries in the world. What we need is political agreement on cutting

Algerian extremists kidnap foreigners

ALCERIAN Islamic extremists yesterday kidnapped three employees of the French consulate-general in Algiers, appearing to intensify a new campaign to force foreigners out of the country and increase pressure on the government.

The abductions follow the murder of seven foreigners in the past four weeks. They were the first direct attacks on members of Algeria's 70,000strong expatriate community Islamic extremists launched a violent campaign to topple the military backed government nearly two years agn.

claimed responsibility for the

ing Itself the Armed Islamic Group - one of many extremist Islamic cells operating in Algeria - said last week it killed three expatriate workers for ABB Sae Sadelmi, a Milan-

The group said the killings

ed oil group.

were part of a campaign to target foreigners working for the Algerian regime, and warned expatriates to leave the country. Two French citizens and two Russian military trainers have been killed this month. The attacks signal a new phase in a 21 month-old cam-

paign which has claimed about 2,000 lives since the governdeny almost certain victory for

(FIS), which had pledged to establish an Islamic state.

Mr Rabah Kebir, who described himself as an extled FIS leader, said on French radio last week the Front was not behind the murder of foreigners, but added: "The popular movement is very difficult

to control." The attacks are of particular concern for the thousands of foreigners working in Algeria's crucial oll and gas industry which accounts for more than 90 per cent of hard-currency earnings - whose numbers have swelled in the last two years following government encouragement of foreign par-ticipation in the sector.

> leaders said at the time. In the end, last week, load of waste - low-level cool-ant and cleansing water from

Japanese Foreign Ministry officials correctly guessed that the dumping was as much of a surprise to Russian President Boris Yeltsin, who only a week

Japan fumbles for a nuclear stance A N anxious crowd gathered one evening last week on a pavement in internal debate writes William Dawling

central Tokyo beneath a giant television screen on the wall of a tower block.

Home-bound commuters had stopped to watch a news film of a rusty Russian navy tanker wallowing in the sea off northern Japan, as it pumped liquid nuclear waste into the water. Yet like many environmental

The commuters were not the only ones to be worried by the dumping, denounced as "deplorable" by Mr Tsutomu Hata, the foreign minister. The issue has dominated newspaper and television coverage for much of last week and outraged the environmentally sen-

sitive, fish-eating Japanese. This is not the first time the issue has arisen. Last March the Russian navy admitted it had routinely dumped nuclear waste in the Sea of Japan. It was "imbelievable" and a "disgrace", Japanese government

Moscow was persuaded to cancal plans to dump a second decommissioned nuclear submarines - after a phone call from Mr Hata to his Russian counterpart, Mr Andrei Kozvrev.

before had been in Tokyo on

internal debate, writes William Dawkins

an official fence-mending visit, as it was to them. In return for Russia's co-operation, Japan will consider giving financial belp for nuclear waste disposal on Russian territory.

rows, this one is more complex than it seems. For a start, the radioactivity

of the liquid dumped last week appears to be weak, and the International Atomic Energy Agency was informed in

advance. The Russians claim they were acting within international guidelines, even if outside a voluntary International moratorium on dumping nuclear material at sea. A Japanese research vessel has been dispatched to tha scene to

Whatever the truth, the row highlights an uncomfortable internal Japanese debate about how the country should develop its own nuclear indus-

Tokyo nears rice decision

try. Governments have struggled, not always successfully to balance the need to reduce Japan's present complete dependence on energy imports, with the imperative of satisfy-

ing environmental concerns. Like Russia, Japan has a nuclear problem, even if it is of a different order. There is a parallel, for instance, between the row over Russian dumping and the International outcry

ment of 1.7 tonnes of pluto nium fuel from a reprocessing plant in northern France to a port near Tokyo.

finan

almon

ic action

The protests from countries along the route, alarmed by Japan's fumbled attempts to keep the cargo secret, have prompted the government to review its plutonium policy.

Yet Japan needs the fuel supposed to be the first of 30 such shipments, for use in a fast-breeder reactor under development

Japan hopes it will no longer have to use French reprocessing in 10 years, when its own reprocessing plant is completed. But until then, Japan faces the same dilemma every time it needs a load of repro-

cessed plutonium.
In another parallel with Russia, Japan once had a bad environmental record, a cost of its fast post-war industrial

growth. This started to become unacceptable in the late 1950s, when mercury pollution in the sea off the southern coast led to deformed children and adult diseases in Minamata, a fishing

Even today Japanese courts are working through the queue of Minamata compensation suits, providing the public with repeated reminders of Japan's polluted past.

it is no surprise, then, that Russian waste dumping has given the Japanese government a few uncomfortable

Burundi coup plotters waver

murdered President Melchlor Ndadave of Burundi in a coup last week appear to be ready to surrender power in return for an amnesty, writes Leslie

By Victor Mallet in Bangkok

MANY Asian cities are

dangerously polluted, and sul-

phur dioxide and suspended

dust levels can be tens or hun-

dreds of times worse than in

US or Canadian cities, accord-

ing to a report prepared by the

to the special risks of living in

a large Aslan city," says a study of Asian urbanisation

from the UN Economic and

Social Commission for Asia

high rates of lung cancer, tuberculosis and bronchitis,"

Escap says.
"In Bangkok, average blood

"Many Asian cities have

and the Pacific (Escap).

"Air pollution statistics point

United Nations.

partyl should rule again, but it should examine the question of

pated in the coup." Members of Mr Ndadaye's

ment of Frodebu [Ndadaye's 200,000 Rutus - Burundi's main ethnic group - had fled into Rwanda since Thursday's

> Diplomats said the coup plot ters had lost control of the army and were now frightened of the ethnic violence they had unleashed. But they could not see an early return to civilian rule while the minority Tutsi trihe continued to dominate the army and security police.

Asian city pollution 'at danger levels'

kills thousands of Asian chil-

dren each day, is a particularly

serious problem. "Rivers that

flow Into Asian cities are

already laden with pathogens,

sediments and pesticide resi-

dues," Escap says.
"They then become increasingly polluted with sewage,

industrial effluent and solid

dispose of solid wastes in open

landfills, which pose pollution

problems in themselves.
In Manila, about 20,000 peo-

pla live on and around a rub-

bish dump known as Smokey

Mountain, although the fact

that they make money by sell-

Many Asian cities generally

JAPAN is close to a decision on whether to lift its controversial ban on rice imports, a govern ment spokesman said at the weekend.

Mr Masayoshi Takemura, chief cabinet secre-

tary, said Japan needed to make a decision to open its rice markets soon, to avoid isolation at tha Uruguay Round of multilateral trade talks. "Discussions between Europe and the US are making headway, and we cannot resist [tarifi-cation] much longer," be said. Mr Takemura's comments follow last week's

three-day visit by Mr Peter Sutherland, director-general of Gatt. Mr Takemura said Mr Sutherland had responded positively to a plan that Japan accept tarification of rice imports after a six-year grace period.

His statements reflect the government's efforts to build public consensus over the rice issue. Until now Tokyo has repeated its protests

However, earlier this month reports that Japan was offering a compromise plan were leaked to the press. The offer incinded a six-

against the opening of the market, and has avoided any suggestion that the import ban be

year moratorium period for tarification on rice imports, during which it would import 3 to 5 per cent of its domestic rice needs. Mr Morihiro Hosokawa, prime minister, faces

the ardnous task of convincing other members of the coalition government who oppose rice The Socialist party, which depends beavily on

rural votes, has threatened to leave the coali-tion if the government were to open the mar-

Meanwhile, Japan's farm co-operatives are planning to stage as many as 14 railies throughout the country next month on the

Lt-Colonel Jean Blkomagu, Burundi's army chief of staff, disowned the plotters, in a radio broadcast at the weekend, saying, "The military men

government who have taken refuge in western embassies said they would not negotiate with the plotters while the Tutsi-led army continued to massacre Hutu peasants. Aid agencies said more than

ECONOMISTS at the Asian Development Bank bave forecast continuing rapid growth in China, which they describe as the "engine of growth" for Asia, writes Jose Galang In

However, the Manila-based bank notes that "emerging bottlenecks" - in transportation, energy and raw-material production - and con-

lead levels are 40 to 45 microgrammes per decilitre, four times the US standard. There is evidence of permanent brain damage in children because of lead poisoning."

Bangkok dust leveis in 1989 alone are estimated to have cost 26m lost work days and 1,400 extra deaths. The Thai capital is notorious for its traf-

Convergence and divergence of nominal and real interest rates

Denmark

uncontrolled construction boom. Escap says the single-minded pursuit of economic growth bas made several cities into "pollution havens" afflicted by water and air pollution and inadequate waste

also forecast.

disposal. The agency rejects the commonly held view that developing countries must first pollute fic congestion and for its to become rich and then pay

cent last year. A slight slowdown next year is for protecting the environment later, "While appropriate environmental protection imposes minimal short-term costs, it produces substantial long-term economic and social gains." the report says. It calls for the Introduction of various forms

tinued tight monetary policy will slow China's

expansion in 1994. In an assessment of short-

and medium-term development prospects in the

Asia-Pacific region, the ADB predicts overall

growth in Asia's developing countries at 7.1 per

cent this year, slightly higher than the 6.9 per

and institutions to restrict pol-Water contamination, which

of taxation and effective laws

ing the waste is often regarded as environmentally beneficial. A masked policeman hraves the traffic in Bangkok, notorious for its polintion How the changed ERM might affect bonds

MIRROR, MIRROR on the wall, which are the best bonds of them ail? Among the leading industrial countries France would appear to have particularly attractive bonds. That at least was the conclusion of Jeremy Hale in a presentation last week on the occasion of the launch of this year's Green Budget from the Institute for Fiscal Studies and

Goldman Sachs*. As is shown in the charts, the tendency in the old ERM was for nominal long-term interest rates of core participants to converge, because of the growing credibility of the fixed exchange rates. Mean-while, "real" bond yields diverged, when real yields are defined in relation to short run inflation. Real interest retes, thus measured, bave been twice as high in France as in Germany, which has imposed a painful burden on the former, at least in the short term. The opposite picture emerges for

the bond markets of the big three industrial economies. In this case, nominal bond yields have not converged. But measured real yields have done so. This would make sense if investors had no strong views on the likely movement of real exchange rates, saw one currency as no riskier than another and believed current inflation was a reasonably good predictor of future inflation. In this case, nominal interest rate divergence would reflect divergent views on inflation

and expectations of offsetting movements in nominal exchange rates. Alternatively, if investors were to expect long-term inflation to fall below current inflation in any particular country, they would also expect a real depreciation of its currency. This may well be true of the D-Mark vis à vis the US dollar, since the Bundesbank has imposed relatively high short-term real interest retes precisely in order to reduce

Suppose the pattern observed for the big three were to apply to the newly flexible ERM. Real yields in France should then move towards those in Garmany. A reason for French real yields to fail quite sharply is the recession, which is not offset by high government indebtedness, despite the cyclical deterioration in the government's fiscal position. The recession also means that lower real interest rates are most unlikely to be brought about by higher inflation.

There is no obvious reason why France should go on suffering higher real interest rates than Germany. But if it is to enjoy lower real rates now it must first stop trying to convince the markets that its exchange rate remains fixed. By cutting short-term nominal interest rates, the French franc would presumably experience a step depreciation. But an expectation of a subsequent appreciation against the D. Mark could permit French long-term nominal interest rates to fall below German ones. Real interest rates would then converge.

it sounds wonderful: a short term depreciation of the exchange rate against the D-Mark, followed by long-term appreciation; lower short-term real interest rates; and lower long-term real interest rates as well. But all this depends on convincing the markets that French inflation would stay low even if French short-term interest rates were to be cut below German levels. Can France retain its credibility without shadowing the Bundesbank? It might do marvels for French self-confidence to find out.

Jeremy Hale, Gilts & Sterling in an International Perspective, October 1993, Goldman Sachs International

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

	- UNITE	ED ST	ATES			= JAP/	AN				E GERN	LANY				E FRAN	CE				ITALY	7				E UNIT	ED KI	NGDOI			
	Narrow Alexay (M I)	Broad Morny (AC2)	Short Interest Rate	Long Atterest Rate	Equity Market Yield	Marrow Morey (M1)	Broad Meany (M2+CDe)	Short Subgrant Rate	Long Interest Rate	Equity Maries Yield	Names Measy (M1)	Brood Money (M3)	Short Interest Rate	Interest Pate	Equity Market Yield	Money Money	Bread Manay (ACS)	Short Interest Rate	Løng Intertal Røle	Equity Marint Yield	Names Manag (Bh)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Maries Visid	Marrow Money	Broad Moray	Short	Long	Equity Market	
35	8.0	8.9	6.00	10.59	n.a.	5.0	6.3	6.62	6.51	na	4.3	5.1	5.45	8.94	n.a.	6.2	7.4	10.03	11.74	n.a.	13.2	13.5	14,34	13.71		had	549	Rate	Rete	Yleid	
6	13.5	8.3	6.49	7.67	3.43	6.9	6.2	5.12	5.35	0.84	10.0	8.3	4,64	5.90	1.79	6.9	4.4	7.79	8.74	2.65	10.5	8.2	13.25	11.47	n.a.	4.7	13.2	12.32	11.03	n.a.	
7	11.6	6.5	6.82	8.39	3.12	10.5	11.5	4,15	4.64	0.55	S.0	7.3	4.03	6.14	2.21	4.1	12.2	8.26	9.46	2.75	10.4	9.6	11.32	10.58	1.41	4.0	15.3	11.02	9.97	4.35	
6	4.3	5.2	7.65	8.84	3.81	8.4	10.4	4.43	4.77	0.54	9.7	6.4	4.34	6.48	2.81	3.9	8.4	7.94	90.8	3.69	7.8	6.9	11.24	10.54	1,94 2,71	4.7	14.8	8.77	5.52	3.60	
9	1.0	3.9	8.99	8.49	3.43	4.1	10.6	5,31	5.22	0.48	6.3	5.8	7.11	6.94	2.22	7.5	5.5	9.39	8.79	2.88	7.1	8.2	12.41		2.71	6.8	17,0	10.41	5.69	4.48	
O .	3.7	5.3	8.06	8.54	3.60	2.8	6.5	7,62	6.91	0.65	4.5	4.5	8.45	8,71	2.11	3.7	8.0	10.32	9.92	3.19	9.3	9.1	11.98	11.61 11.67		5.9	17.5	13.96	10.30	4.36	
91	5.9	3.3	5.67	7.85	3.21	5.2	2.0	7.21	6.37	0.75	5.1	5.6	S.25	8.44	2.38	-4.7	2.7	6.62	5.03	3.58	7.3	8.0	11.83	13,20	2.64 3.45	5.3	16.1	14.82	11.53	5.07	
92	12.4	1.9	3.75	7.00	2.95	4.5	-0.4	4.28	5.25	1.00	7.1	8.2	9.52	7.77	2.45	-0.1	5.5	10.36	8.57	3.55	8.7	7.5	13.86	13.20	3.63	2.4 2.3	8.2 5.3	11.58	10.04	4,97	
qtr. 1992	14.3	1.7	3.55	6.73	2.94	2.0	-0.4	3.67	4.78	1.03	10.7	9.6	8,98	7.34	2.67	-0.1	5.5	10,77	8,28	3.72	2.8	5.8	14.64	13.84	3,68			8.73	9.09	4.91	
qtr.1983	11.9	0.4	3.20	8.26	2.81	1.8	-0.4	3.29	4.34	1.00	8.8	7.5	8.31	6.87	2.42	1.1	5.4	11,83	7.86	3.38	2.8	6.2	11.88	13.13	3.04	2.7	4.5	7.68	8.45	4.64	444
d qtr.1993	11.8	0.9	3.18	5.98	2.80	3 <u>.2</u>	1.4	3.09	4.55	0.83	8.5	8.6	7.86	6.73	2.24	0.5	3.2	8.01	7.08	3.33	2.4	8.0	10.82	12.49	2.47	4.4	3,4	6.43	7.97	4.35	4th qt
qtr. 1993	12.3	1.5	3.18	5.61	2.76	3.6	2.0	2.83	4.25	0.80	9.9	6.2	6.82	6.34	2.01			7.74	6.38	3.14		-10	6.36	10.27	1.89	4.3 5.1	3.6 3.7	6.00	7.92	4.04	1st qtr 2nd qtr
ober 1992	14,4	2.0	3.32	6.58	3.02	2.5	-0.6	3.71	4,90	1.04	8.5	10.4	8.95	7.38	2.72	1.8	6.3	11.12	8,43	3,83	5.5	7.3	15.53	44.00				5.98	7.13	3.91	3rd qtr
rember	14.4	1.8	3.86	6.86	2.94	1.8	~0.6	3.65	4.76	1.05	11.2	S.7	8.94	7.38	2.66	0.4	8.1	8.77	8.14	3.70	2.5	5.8	14.53	14.36	3.95	2,3	5.2	8.49	8.69	4.00	
ember	14.2	1.4	3.67	8.75	2.87	1,9	-0.4	3.64	4.70	1.00	12.5	8.7	8.03	7.29	2.64	-0.1	5.5	11.35	8.20	3.64	0.4	4.4	13.90	13.48	3.48	2.9	4.4	7,32	8.27	4.83	1992 Oc
uary 1983	13.4	1.0	3.26	8.59	2.87	2.4	-0.3	3.59	4.55	1.03	8.5	7.7	8.60	7.10	2.58	1.8	5.4	12.16	7,83	3.58	2.2	2.7	12.73	13.86	3.61	2.9	3.8	7.24	8.38	4.60	Nove
ruary	11.5	0.2	3.18	6.26	2.80	2.3	0.1	3.15	4,31	1.01	9.2	7.3	8.39	6.94	2.43	1.0	5.5	12.12	7.76	3.40	2.9	8.3	11.51	13.48	3.26	4.0	3.3	7.04	8.33	4.48	Dece
rch	10.7	0.1	3.17	5.87	2.78	0.8	-0.4	3,13	4.16	0.97	10.0	7.9	7.98	6.59	2.27	1.1	5.4	11.27	7.33	3.16	3.5	6.6	11.41	13.03	3.01	4.6	3.4	6.23	7.87	4.46	1993 Ja
rii	10.8	0.2	3.15	5.98	2.81	2.4	0.5	3.08	4.42	0.85	8.1	8.7	7.92	6.63	2.23	-2.0	4.2	9.08	7.14	3.25	1,9	5.0		12.62	2.86	4.7	3.6	6.04		4.36	Feb
v	12.0	1.0	3.14	8.02	2.81	3.8	1,5	3.09	4.84	0.82	8.3	8.5	7.52	6.80	2.27	-2.6	3.2	7,64	7 19	3.39	2.3	0.0	11.48	13.13	2.78	4.6	3.5	6.02	7.65	4.24	
10	12,7	1.4	3.25	5.94	2.80	3.4	1.4	3.10	4.58	0.82	10.1	8.5	7.80	6.77	2.22	0.5	3.2	7.32	7.10 0.0E			6,1	10.80	12.50	2.53	3.5	3.8	8.03	7.81	4.08	
7	12.7	1.6	3.20	5.79	2.80	3.8	1,8	3.11	4.40	0.81	10.1	8.7	7.24	8.57	2.09	-0.8	11		8.95	3.35	3.0	8.1	10.22	11.87	2.15	4.5	3.4		8.08	4.04	
rusl.	12.2	1.5	3.18	5.86	2.78	3.5	1.7	2.93	4.27	0.79	10.1	8.3	6.62	6.34	1.98	-1.4	1.1	8.06	8.72	3.26	3,4	6.5	S,54	11.12	1.99	4.8	3.5	5.95	7.88	4.01	
otember	11.9	1.6	3.16	5.35	2.73	3.5	2.0	2.48	4.09	0.79	9.5	7.5	6.63	8.12	1.96	-1.4	0.7	7.83	8.33	3.06	5.2	7.9	9.35	10.08	1.83	5.2	3.6	8.01	7.49	4.03	
	rates: show the					نبرق	2.0		7.03	0.75		1.3	0.03	0.12	1.30			7.29	6.12	3.08			9,18	8.66		5.0	3.0	5.91	7.00		A

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Finance-raising company in FBI probe

Turnberry Underwriters, which now appears to be operating out of Miami, Florida, under the name Bond

This is similar to an advance fee for the procurement of expected finance, which is illegal in Flordia but not in

US authorities estimate that Turnberry, and companies and people associated with it, have taken up to \$30m (£19.8m) in retainers from companies

They believe that companies outside the US, principally in the UK and heland, have paid a further \$5m-\$10m

The Financial Times has talked to a handful of companies which paid retainers of between \$30,000 and companies were alleged to be in default and the retainer was kept by Turnberry, in accordance with the

At least two people involved in the fund-raising schemes are facing fraud charges in tha US on separate mat-

with prospective clients by agencies which have placed advertisements in

newspapers, both in the US and UK.
These advertisements have proved particularly attractive to small companies desperate for finance.

Banking regulators in the Cayman

Islands are now investigating Turn-berry's relationship with some of the directors of a bank in their region, Guardian Bank and Trust (Cayman) ltd, including its chairman Mr John

down on social security fraud

totalling more than £1bn a

Although ID cards are part of daily life in other European

countries like France and Ger-

many, any discussion of their

introduction in the UK has

raised strong opposition from civil liberties groups.

Responding to weekend reports that Mr John Major,

the prime minister, favoured

such a scheme, Liberty, the

civil liberties group, said ID cards could be used to discrim-

inate against some sections of

The Department of Social

Security said there were no

plans to bring in an ID card

system, although this was

being looked at as part of a

range of measures. The Home

Office, whose interests in any

ID echeme would cover its

impact on crime, terrorism and

immigration, also said nothing

year, Andrew Fisher writes.

show 'low'

UK retailers have "startlingly

low" levels of turnover per

employee compared with the rest of Europe, according to a survey of 16 countries by the

Economist Intelligence Unit.
The report says this implies there is room for workforce

cuts because UK companies

mergins will come under increasing attack from conti-

nental European and US dis-counters which are entering

Ranking 131 companies by

turnover per employee, the unit found that Kwik Save was

the highest UK company listed

at position 43, with Little-

began to feature low down

with Asda at 79 and Tesco at

The survey found the most

productive retail employees

are in Belgium, Ireland, Fin-

Leading UK food retailers

woods second at 55.

land and Norway.

Changes to

Banking rules

The amount of husiness that

UK banks can conduct with

eingle clients or business part-

ners will be limited from the

start of next year under new

EC rules, the Bank of England

the market.

turnovers

Britain in brief

The European Commission was asked yesterday to prevent the UK government from repealing an act which imposes a statutory limit on UK retailers coal miners working under-

The National Union of Mine workers said the measure would erode health and safety provisions and run contrary to the community's framework

Miners appeal to Commission

directive on working time. In a letter to the commis sion, Mr Arthur Scargill, NUM president, asked for the matter to be raised as a matter of urgency. The repeal is due to take effect next month.

One in six of Britain's largest and mostly unionised private sector employers expect to see industrial conflict in their companies over the next twelve months, according to a survey published today by solicitors Dibh, Lupton and Broomhead. While 16.4 per cent anticlpated industrial unrest over

Large employers are ready to use the law against unofficial strikes. As many as 95 per cent they would do so to stop unlawful picketing while 91.8 per cent said they would act

The survey covered 100 large

Canadian beer breaks the ice

has announced. ICE BEER, which became one Under the "large exposures directive" no bank will be able to incur an exposure to a single counterparty or group of counterparties that exceeds 25 per cent of its capital base. Exposures that individually exceed 10 per cent of a bank's capital base should not in total exceed 8 times its capital base,

the Bank said. The Bank said that offbalance sheet items, including derivative exposures, would be among the large exposures to be monitored and reported by banks under the new rules. The Bank's supervisory division has issued a notice giving details on the implementation of the directive in the UK.

Some employers 'fear strikes'

the next twelve months, 82 per cent did not

against the trade union.

companies employing a total of 1.5m workers.

of Canada's top five beer brands within six months of its introduction this year, is to be launched in the UK today. Labett, the Canedian brewer, has signed a distribntion agreement with Carlsberg-Tetley for test marketing of the beer in Allied-Lyons pubs in London, tha Midlands and Scotland.

Labatt has invested £12m in developing the product. Since the lager went on sale in Canada in March, the brand has captured 6 per cent of the country's total beer market. The UK is the first market ontside North America in which the brand has been launched.

By Peggy Hollinger

Salmon

farmers

press for

EC action

SALMON farmers in Scotland

and Ireland want their govern-

ments this week to persuade

the European Commission to

take action against Norway to stem a new flood of Norwegian

salmon onto the EC market,

In the past three weeks the

Salmon farmers in Scotland

price of salmon in EC countries has fallen sharply from previously high levels.

mainly blame an influx of Nor-

wegian salmon caused by that

country's unexpectedly high

Some 35,000 tonnes of Nor-

wegian salmon have come

onto the EC market, pushing

prices down from £3.80 per

kilogram (a leval at which

salmon farming is very profit-

In the last few days two

Scottish salmon producers

Norwegian output this year

may reach 180,000 tonnes,

according to the Scottish

Salmon Growers Association, compared with original predic-

Scottish salmon output is

with last year's 38,000 tonnes.

Meanwhile the main EC mar-

kets of France and Germany

British and Irish officials

are expected to meet the Com-

mission on Thursday.

The issue is complicated,

however, by the fact that Norway is not a member of the

have been hit by recession.

James Buxton writes.

levels of production.

able) to under £2.50.

have gone bankrupt.

tions of 120,000 tonnes.

A US company being investigated by the FBI and Florida authorities is offering to help cash-strapped companies in the UK and Ireland raise

Street Commercial, has been offering to provide UK and Irish companies

with collateral for bank loans in return for a payment described as a retainer.

By Raymond Snoddy

tha industry.

MR Michael Heseltine, the UK

Trade and Industry secretary, has called together Britain's

leading broadcasters to try to

draw up a co-ordinated indus-

trial and export strategy for

Those invited include Mr

John Birt, the director-general of the BBC, Mr Greg Dyke, chairman of the ITV Associa-

tion and chief executive of London Weekend Television,

Mr Michael Grade, chief execu

tive of Channel 4, Mr Michael

Green, chairman of Carlton

Communications and Indepen-

dent Television News, and Mr

Leslie Hill, chairman of Cen-

The emphasis of next week's

meeting will be to encourage

the export potential of a UK

industry seen as high quality

and internally competitive. Mr

Heseltine'e search for an indus-

for both ITV and the BBC.

tral Independent Television.

in retainers.

\$140,000, in the expectation that the US group would put up collateral against which they could procure finance. But the deals were never completed within the time allotted.

contractual agreement.

Turnberry has been put in touch

Broadcasting export strategy sought system considered THE UK government is considering the introduction of identity cards to help crack

> just as important for the BBC, whose Royal Charter runs out at the end of 1996. Mr Heseltine has been looking at the export potential of an integrated BBC with a world-famous brand name and the corporation's plans to take **BBC World Service Television**

too fragmented to compete

internationally. They are

opposed hy medium-sized com-panies who emphasise the

important of regionalism. A

ministerial committee chaired

by prime minister John Major will decide on the ownership

The implications could be

issue later this year.

around the globe. Such an approach suggests that although the government will continue to seek maximum efficiency at the BBC, privatisation of its transmitters and of BBC Enterprises, the commercial arm, now seem

trial and export strategy could have significant implications much less likely.

As a sign of the reduced hostility to the corporation, the National Heritage department has proposed that the BBC The big FTV companies arguing for changes in the rules of ownership to allow the largest nine ITV companies to take licence fee should be linked to retail prices for the next three years - but this has still to be each other over see Mr Heseltine as a likely powerful approved by other ministers.



Michael Heseltine has been looking at the BBC's export potential | was planned immediately.

Executives to warn against tax increases

also expected to rise this year to 45,000 tonnes compared

Economics Correspondent

INDUSTRIALISTS are set to put more pressure on the UK government this week to refrain from increasing taxes in next month's Budget.

The message is to be delivered at a private meeting on Thursday between Department of Trade and Industry and RC, but has applied to join it. | Treasury officials and reprenies including Grand Metropolitan, TI, Unigate, Marks and Spencer, J. Sainsbury, British Steel and Barclays Bank.

The gathering is expected to feature arguments that any rise in taxes in the November 30 Budget - on top of tax increases of nearly £7bn already announced for next April - might damage industrial and consumer confidence

Government figures on Friday showed that the pace of growth in non-oil gross domestic product slowed in the third

quarter of this year. Chairman of Thursday's gathering will be Mr Walter Eltis, economic adviser to Mr Michael Heseltine, tha trade and industry secretary. It is being held as part of a general effort by the government to

form closer links with companies to follow better their perceptions ebout the recovery. The most senior person from the business world will be Mr David Barnes, chief executive of Zeneca, formerly the speciality chemicals subsidiary of ICI. Northern Foods; the Weir pumpmaking company; ICL: Rover and the Meggitt engineering group are dua to send their finance directors.

sented et tha meeting are Courtaulds Textiles, George Wimpey, and the Post Office. Chancellor Kenneth Clarke is meeting Mr Howard Davies, director-general of the Confederation of British Industry, and Sir Michael Angus, CBI president on Wednesday. They are expected to add to warnings about how tax rises could

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The key Swiss bank

HALL & TAWSE QUALITY CONSTRUCTION A subsidiary of Raine pic

Balfour builds in prison

BALFOUR BEATTY has been awarded two contracts worth £9.6m.

The first, for £4.5m, involves the substantial refurbishment of a wing of Pentonville prison a traditional Victorian galler-ied block. New serveries, laun-derettes, offices and 172 new cells will be created. Architects are the Halpern Partnership and civil, structural and public health engineering will be lead by Warren Picknell Associates.

The second contract, worth £5.lm, involves the refurbishment and extension of the Friars Walk sbopping centre in Resding, awarded by AXA Equity and Law Assurance Society. Work involves relocating one retailer, modernising a section of the retail space and refurbishing walkway areas.

Trafalgar takes on MoD job

TRAFALGAR CONSTRUCTION has won a £31m contract to redevelop the Royal School of Signals at Blandford Camp in Dorset for

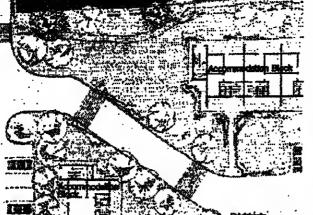
the Ministry of Defence.

The work is part of MoD Options for Change programme, which will see the trade training for Royal Signals' soldiers transferred from Catterick in Yorkshire to

The project will include new and refurbished accommodation for jumior ranks as well as training and ancillary facili-

Trafalgar also has an £8.7m contract to oversee the redevelopment of the base at Catter-

Work involves accommodating two army regiments returning from Germany.



Mivan wins £21m Siemens' Dolan signals to Cowes air force project

MIVAN, the Antrim-based international construction and engineering company, has recently been awarded a £21.5m contract by the Royal Thai Air Force.

CONSTRUCTION

Mivan will build new accommodation (left) for air force personnel on the Don Muang Air Force Base, 10 miles from Bangkok.

The company is to use its Mascon cellular construction system - originally developed for house construction - for the required 650 apartments.

The apartments will form thres five-storey blocks and one 11-storey block.

Trinidad work goes gent environmental controls. to Wimpey More than 40 per cent of the

take 16 months.

Mivan will also build addi-tional facilities on the site –

swimming pool and a Buddhist

the contract in the face of

tion and this further reinforces

the company's presence in the

A £58m scheme to upgrade an oil refinery in Trinidad heads 8 list of contracts totalling more than £100m awarded to WIM-PEY Construction in the past

four weeks. The project - for the Petroleum Company of Trinidad and Tobago - is one of two con-tracts secured by Wimpey in the area, hringing the total value of new work in the country to £77m.

Mr Dennis Brant, chairman of Wimpey Construction said: "We have been established in the Caribbean for more than 37 years but have seen little activity in the area for the past

"Recently, however, there has been a substantial increase in the construction workload. It is a similar story in other ports of the world, for example, the Middle East and the Far

Wimpey has seen a noticeable upswing in activity in these areas."

The company's other contracts are in the UK. They include three schemes totalling £16m for projects in the retail sector, two health care projects and a £10.5m design and build leisure development in Hert-

the UK construction industry," Mr Brant says.

Siemens Plessey Electronic Systems is one of the largest employers in Cowes, Isle of Wight, but whether Clive Dolan, the company's new managing director, will have much time to indulge in his hobby of sailing is open to

Thirty of the company's Northern Ireland staff will be Dolan took over the company, which has offices spread drafted in to supervise the over the south of England with project which will employ up outposts in New York and Gerto 700 workers. It is expected many, at the beginning of the that completion of work will month. With 3,500 people worldwide and sales of £300m, Mr Henry Johnston, Mivan overseas managing director, said: "We are delighted to win it is the UK arm of Siemens'

defence electronics group. His principal challenge is to heavy international competifind new opportunities for growth in a company traditionally tied to the now declining lefence market.

Dolan's most recent experi-

Cohen goes to SGST

Société Générale Strauss Turnbull Securities has hired David Cohen, a City veteran. to help build up its presence in the UK corporate broking busi-

Cohen knows all about bull and hear markets, having started ont in the City in 1962 as an electricals analyst at Simon & Coates, the now defunct UK stockbroker. In 1969, at the age of 27, he became one of the youngest-ever partners in

By 1984 he had built up such s reputation for hringing com-panies to the USM that the FT ran a profile on him. In the same year he was one of the

over the sale of S&C to Chase Manhattan Bank. For the rast 31/2 years, Cohen

ence should prove invaluable.

Since 1991 he has been manag-

ing director of Siemens' newly

formed air traffic management

division, the fastest growing

Siemens Plessey has special

part of the group.

has headed the smaller companies corporate broking unit at Robert Fleming Securities, where his biggest claim to fame was managing the flotation earlier this year of David Lloyd Leisure, the tennis and fitness chain run by the former Davis Cup player.

 Graham Carter, formerly risk controller at Credit Lyonnais, has been appointed administration director at SHORE CAPITAL STOCKBROKERS.

Lawrence Permnt, chairman of Stiles Harold Williams, is also appointed executive deputy chairman, and John Scott, md of Stiles Harold Williams, is also appointed md of ALLIANCE & LEICESTER Property Services; Richard

a new kind of system which can combine surveillance. tracking and targeting in a single instrument through ingenious electronic control of the sensing beam. It is also bidding with Racal for "Bowman", the next generation British Army communications system.

Dolan, 47, read applied science at Newcastle University and worked initially for Marconi and Philips with spells in France and the Netherlands. during which he rather took to the continental way of life. He has been with Plessey since 1983 and was involved in repulsing GEC's first bid for the company. But he has no intention of letting work get in the way of the occasional game of rugby, he says.

Stapleton, the former group md, has left the company. Frank Watts and Simon Wharmby have joined CHARLES STANLEY; they move from Carr Kitcat &

■ Shinichiro Ohta, former executive vice-president of Mitsuhishi Corporation, has been appointed an adviser to S.G. WARBURG. Rex Harrington has been appointed director, shipping, and Lambros Varnavides,

assistant director, shipping, at the ROYAL BANK OF SCOTLAND. Malcolm Le May and John Sunderland have been appointed co-heads of BZW's investment banking group

recently created within BZW in New York; they move from corporate finance and structured finance respectively, in London.

build a new engineering facil-ity for Peter Brotherhood of completion by October 1994. contract value relates to elec-The factory floor area has been designed to take loads of trical and mechanical installa-Peterborough has been given to Lincoin-based LINDUM tion to be carried out hy Derry Building Services, part of the Bowmer & Kirkland group up to 150 tonnes. An external feature of the The 147,000 sq ft factory and building will be the glass cur-tain walling, introduced to based at Derby. offices - covering an area the size of three football pitches -Architects are Benoy, con-sulting engineers John Gilbert, and Peter Brotherhood's projwill be on a 12-acre site in Wer-

hreak up the large expanses of metal cladding.
Design of the 13m-high facility conforms with the strin-

Lindum heads South

Work hegins on site this

month and is scheduled for

Tarmac to carry out M25 reconstruction posts two

TARMAC CONSTRUCTION has won a design and build motorway maintenance con-

A £10m contract to design and

rington, Peterhorough, less

than two miles from the com-

tract worth £11.6m. The work, awarded by the Department of Transport, involves reconstructing a 5km section of the M25 - the London orbital section. Repairs on the stretch,

between junctions 2 and 3 (Dartford and Swanley), is to begin shortly and is due to be completed in just 15 weeks. Mr John McFadzean, director of operations for Tarmac's

large projects division, said: "We are very pleased to have been chosen. Ws will be able to ntilise our construction and design experience to ensure that the project progresses speedily and efficiently with the minimum

disruption to traffic.' Tarmac is already engaged on substantial civil engineering design and construct schemes for the River Tees Barrage and an immersed tube road tunnel under the Medway

estuary in Kent. The M25 contract involves resurfacing the largely concrete section of motorway with bituminous materials.

Repairs and maintenance

will also be carried out to bridges along the stretch. Other work includes upgrading safety fencing to current standards and improving or repairing wherever necessary the drainage system of the car-

Kent County Council is acting as agent for the Department of Transport and consultants G. Maunsell and Partners are working for Tarmac on design requirements of the

ect representatives, Thornton

THE SUNLEY TURRIF GROUP has gained two Royal Mail con-

new deals

tracts totalling £11m. The first involves the £5.6m conversion and fitting-out of two buildings, alterations and fitting-out of a third building and the completion of external works over 36 weeks beginning October 4. Architects are WM

Saunders Partnership. The second contract, valued at £5.4m, includes the construction of a sorting and delivery office and road transport workshop. Work is due for completion April 1994. Sunley is at present working

building a mechanised letter office with ancillary accommo-Architects are Abbey Hanson

on a £5.2m Royal Mail contract,

"Retail, lelsure and bealtb care remain among the most buoyant areas of activity for

Former Securiguard duo move into **Business Technology Group** a number of friends in City

Alan Baldwin, former Dunckiey, former finance chairman of Securiguard before it was acquired by Rentokil this summer, has been appointed chairman and chief executive of Business Technology Group, which sells and services office equipment. He succeeds Tony Berry, founder and former chairman

of Blue Arrow, who has resigned from BTG to pursue private interests but retains his 8 per cent interest in the

group. Baldwin says he and Peter

director of Securiguard who is also joining BTG, bad heen approached as a team by Tony Berry and his board. He says he sees BTG as a "platform from which to develop in the service sector". He will, however, be somewhat restricted in his areas of operation by an agreement with Rentokil which lasts until the end of 1994, but says "there are oppor-

tunities" Baldwin's defence against Rentokil's cash bld earned him 23p.

institutions who watched Securiguard's share price rise from 180p before the bid, to the 345p at which it was recommended.

In July Baldwin accepted a £375,000 settlement from Rentokil after the £76m takeover and said it was his intention to

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acquire companies. A non-executive director, Bernard Goodall, has resigned and a replacement for him will be appointed in due course. BTG's share price rose 4p to



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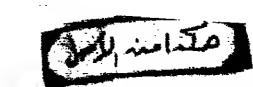


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BANQUE GÉNÉRALE DU LUXEMBOURG



Airways, in his declara-

tion that o strotegic alliance

more likely that both sides will make an all-out effort to resolve any

just abandoning their collaboration.

keting arrangement. But United's

redouhtable boss, Stephen Wolf, seems to agree with Marshall, since

he wants to buy shares in the strug-

gling German airline when it is pri-

BA and United may be - including

an abortive attempt to ally with each other - their bosses are seri-

ously misguided on the matter,

Lewis is an alliance expert who

flies constantly around the world from his Washington base advising

large companies how to get

together, repair a shaky relation-

ship, or end it with the minimum of

pain. His hands-on book on alliance

management, Partnerships for

Profit, has been translated into 10

Among a catalogue of geoeral misconceptions about how to

mount, manage and protect alli-

ances, Lewis rotes the "equity

stake" issue pretty high. Its popu-

B ritish-based companies seeking to develop their sales or establish an operating

and the other independent republics

could do worse than contact Philip

The ex-chairman of Racal Chubb

- he left the group in April last

year - is running a scheme aimed

at training young managers from

hy the Koerber Foundation in

Hamhurg, it has three elements:

Selection process followed by

English language instruction and proficiency testing in Moscow

Management Foundation, a Moscow

Similar to an initiative organised

the former Soviet Union.

(funded by the Reforms

presence in Russia, the Ukraine

Crossland.

languages, including Japanese. *

according to Jordan Lewis.

Whatever the past experience of

vatised next year.

Sir Colin's comment was made in

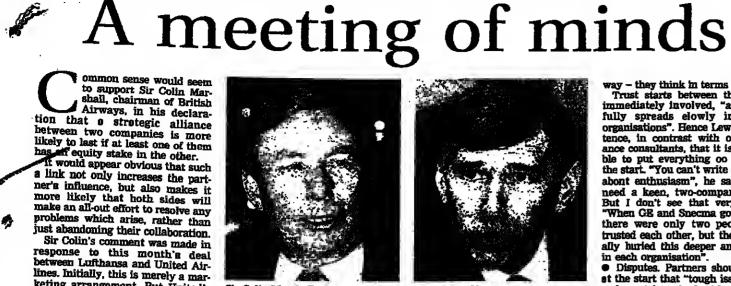
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the reaelt of croftemesship. In every



larity with many airlines "reflects a misunderstanding of alliances", he

The truth, he claims, is that "alliances survive as long as each company regards the other as its best partner. Many equity alliances have ended, usually because that condition was no longer met. But many non-equity alliances have continued for years because it continued to be met". One instance is the link between GE of America and France's Snecma in aero engines, which is now more than 20 years

Lewis's comments were made just after the Lufthanse-United announcement, at a two-day Management Centre Europe briefing on

His other tips included the following points: Mutual need. Controversially,



Christopher Lorenz sheds fresh light on strategic alliances

important than who controls an alli-ance. Each partner must take what steps it can to ensure that the other continues to need it.

Shared objectives. Most companies are used only to buy-sell rela-tionships. In alliances, they must agree clearly "on what they intend to maximise together". Shared risk. Both (or all) part-

ners must accept the bearing of a considerable degree of shared risk – it cannot be loaded onto one partner, "as in other commercial relationships". The risks can be personal, as well as economic, · Relationships and trust. These are at the heart of the success of an alliance, "hut companies don't invest nearly enough effort in build-ing them - which takes years". Many partners don't realise the need for investing in relationships Mutual need. Controversially, Lewis says this is much more says Lewis. "They don't think that

way – they think in terms of deals."
Trust starts between the people immediately involved, "and hopefully spreads clowly into hoth organisations". Hence Lewis's insistence, in contrast with other alli-ance consultants, that it is impossible to put everything oo paper at the start. "You can't write contracts abont enthusiasm", he says. "You about eliminates in , les says. Tou need a keen, two-company team. But I don't see that very often". "When GE and Snecma got started, there were only two people who trusted each other, but they gradu-ally huried this deeper and deeper in each organisation".

Disputes. Partners should agree

et the start that "tough issues" can and must be raised with the other

 Exit strategy. This also should he nagotiated upfront, in case mutual need disappears, or the shared objectives change. "Otherwise you end in court".

Lewis's emphasis on deep rela-tionships should not be taken as advocacy of links between parent companies, such as the almost barren one between Daimler Benz and Mitsubishi. He warns that "corporate-to-corporate alliances are a mistake - they should be between business units".

Extolling the general advantages of what he calls "alliance-thinking". Lewis says it "forces companies to focus themselves - you can't be good at everything". It reinforces the growing tendency of manage ments to narrow the definition of their companies' "core compe-tences", and to "ontsource" or "partner" the rest of their activities. *Free Press | Macmillan £22.95.

The Russians are coming

 Management instruction in the UK. A seven-week course at Kingston University designed to provide participants with a solid foundation in the theory and practice of management and an understanding of the market

 Secondment to a western company for approximately three to nine months. The first 10 managers - whose

backgrounds are a mixture of industrial and commercial - have just completed the first part of their course. They are now set to join the participating companies, which include National Power, Sea Containers, Bristol Myers Squibb, the Wellcome Foundation, and the Anglo/French computing services Crossland, who says the benefit

for companies will be a greater

understanding of business opportunities in the new states. is eager to hear from potential sponsors. His aim is within two years to match the Koerber Foundation, which will have 80 Russian graduates passing through its doors in 1993, "We are dealing with western companies which already have operations in Russia. or who just see Russia as a prospective market," he explains, but we are happy to consider companies which have a joint venture and want to put one of their own Russians through the programme." Crossland can be contacted on 0420-87251 (Fax 0420-541067)

Tim Dickson

TIPS FROM THE TOP

The four principles of corporate giving

Sir Geoffrey Mulcahy, executive chairman of Kingfisher, offers advice on selecting good causes

here are more than 170 registered charities in the UK and many of terms, have advanced some way beyond the box-rattling stage. Alongside this growing sophistication of demand is our

corporate need to make donations work positively for us. So we have had to think clearly about what we are doing in this department and why.

In many companies charitable involvement is moving out of the chairman's office - where it took the shape of the traditional chairman's fund – and into the marketing and human resources departments.

Certainly, the causes backed by Kingfisher have a wider scope and sharper focus than they did 10 years ago. We have moved from the idea of "charitable donations", through "community investment" to "corporate social

responsibility", which embraces issues such as employment practices and the environment Underginning our policy is the belief that a healthy husiness eeds a healthy community. Policy is directed by a social responsibility committee, which includes our corporate affairs and human resources directors, as well as one of our non-executive directors, Lady Howe. It meets quarterly and each of our

As a group, Kingfisher spent around £1.3m on social 1992. One of the things our strategy has to do is take account of the individual needs of our relatively devolved business units, while maintaining an overall corporate shape and consistency.

husinesses reports to it twice a

We have four guiding principles. The first and firmest is that any issue we support must be relevant to our mainstream commercial objectives. It may be hy addressing social problems which ultimately affect our profitability, for example, or by improving our corporate reputation. We support

We are helping fund a study on attitudes of, and towards, gay men and lesbians in the workplace



crime prevention because this ties in with the high street environment. The safer people feel, the more likely they are to

come out and shop. The second principle is that we are very clear about the target audiences we are trying to reach. While our businesses will focus cause-related marketing on their customers, our audiences at the centre include opinion formers, shareholders, employees and national and local government, We support women's issues, because two-thirds of our employees are women. We are also active on critical health issues and education, because

these too affect our employees. Principle number three is to limit ourselves to a manageable number of issues instead of trying to cover the field.

Finally we try to build up a leadership position, to give us a competitive edge with particular target audiences. This may be by anticipating issues that will become important, or hy not shrinking from those that may prove controversial. We are belping, for example, to fund a Stonewall study on attitudes of and towards gay men and lesbians in the workplace.

It is important to recognise that the objectives of a voluntary

organisation are different to those of a commercial one. The essence of successful projects is to identify the mutual benefit for each of those involved and then for them to work in partnership. Once we have identified a particular cause such as homelessness or equal opportunities – choice of project becomes the next key step. This is as important as the choice of charity, which must be well-run and have an acceptable brand.

We will ask ourselves how material the project is to our business objectives. How innovative is it? What value can we add? How much support do they want, relative to what we can afford? We will look at the quality of the organisation's management and operating plan and at how they will evaluate and report back. We may also seek the attitudes of the relevant government department.

Pressure from public figures and other husiness people to support pet projects can be considerable. Where the project has no relevance to our commercial objectives, policy dictates we should decline, but some occasionally sneak through. I'd prefer not to list them here! Next Monday: Henry Wendt of SmithKline Beecham on how to handle a shareholder meeting.

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European statistics in focus

European economic figures with several statistics likely to throw light on the state of the recession afflicting many European Community countries.

Most economists are forecasting that German inflation in October fell below 4 per cent. Import price figures are also out this week and are expected to reflect the appreciation of the D-Mark which has led to virtually continuous import price deflation.

In France unemployment figures on Friday will highlight the wisdom of last week's French rate cut by nudging closer to 12 per cent. France has one of the highest rates of unemployment among OECD countries. The jobless total has risen by an average of more than 30,000 a month since the start of the year.

The other main economic highlights follow. Figures in brackets are the median of economists' forecasts from MMS International.

Today: EC finance ministers meet. US, September existing home sales; October 11-20 car

as TODAY
COMPANY MESTINGS:
G.T. Japan Inv. Tss., Alben Gote, 125, London
Wall, S.C., 12.30
Gartmore Scotland Inv. Tst., Charles Oakley
House, 125, West Regent Street, Glasgow.

12.00 Marray Income Tst., 7, West Nile Street, Glaggow, 12.00 TE European Growth Tst., 3, Finsbury Ave-nus, E.C., 12.20 BOARD MESTINGS: Finale

vv. 11.00 Davies (D.Y.), 3, Paradise Road, Richmond, Surrey, 11.00 Fleating Emerging Markets lav. Tst., 25, Con-

Fleating Swerging Markets lav. Tst., 25, Cop-thall Avanus, R.C., 12.00 Gold Greenless Trott, 82, Dean Struct, W., 11.00

Finals: Geneor (UK) Interims:

UK COMPANIES

THIS IS a busy week for sales (6.8m), truck sales (5m); Treasury secretary Bentsen addresses Centre for National Policy.

Korea, North-South Korea talks. Taiwan, September M2. Tomorrow: US, October consumer confidence (64.5); Q3 ECI (up 0.8 per cent on quarter); Johnson Redbook week ended October 23. Japan, August coincident index, leading diffusion index. UK, Q4 Confederation of

British Industry industrial trends survey. Belgium, EC foreign ministers prepare for October sum-

Australia, Federal parlia-Wednesday: US, September durable orders (up 0.3 per cent), durable shipments. Japan, September retail sales

Germany, Bundesbank repo results in Frankfurt. Canada, September industrial production price index (up 0.2 per cent), raw materials price index (up 0.7 per cent). Australia, Q3 CPI (up 0.7 per

cent on month, up 2.5 per cent

coin, 10.30

River & Mercantile Smaller Co's Tst., New Companybt Rooms, Great Ottoen Street, W.C.,

20 WEINTENDAM MESTINUS: CALA, 42, Colinton Road, Edinburgh, 10.00 Jos Hidgs., 20, Peucharch Street, E.C., 12.30 Triton Europa, Skinners Hall, 3%, Dowgata Hill, E.C., 11.30 Verson Int., Chumber of Industry & Con-

ARD MEETINGS:

(down 5.1 per cent on year).

on year). Thursday: US, Q3 advance GDP (up 2.7 per cent), advance GDP deflator (up 2 per cent); initial claims week ended October 23 (350,000); state benefits week ended October 16; money supply data for week ended

October 18. Japan, September industrial production (up 0.7 per cent), shipments.

Friday: US, September personal income (up 0.3 per cent), September PCE (up 0.4 per cent); October Chicago NAPM, Michigan sentiment - final, export price index, import price index; October agricul-ture prices; September bank credit; September C&I loans.

Japan, October CPI - Tokyo (up 1.3 per cent on year), excluding perishables (up 1 per cent on year); September CPI nation (up 1.5 per cent on year), excluding perishables (up LI per cent on year); September unemployment rate. construction orders, housing starts (up 9.8 per cent on year), construction starts.

France, September unemployment rate (11.8 per cent).

THURSDAY OCTOBER 28 COMPANY MEETINGS: Bellwinch, Hilton National Hotel, Empire Way, Wembley, 12.00 Courtyard Leisure, 62, Carter Laue, E.C., 1900

10.00
Dowding & Mills, Botunical Gardans, Westbourne Road, Edgheston, Birminghum, 12.00
Savilla Gordon, Chumber of Tudestry & Conmerce, 78, Harborne Road, Birminghum, 11.00
Survey Grp., New Contrateght Rooms, Great
Queen Street, W.C., 11.00
BOARD MEETINGS;
Finals:

Country Castana Debancy Grp. Devalopment Securities Gerrard & National Secs. Tat. of Scotland Shiloh Toye & Co.

Canada, August real GDP (up 0.3 per cent on month), employment earnings.

Belgium, special EC summit. During the week: Germany, October cost of living for three lander, September Ifo business climate; GFK construction climate: September import prices (down 0.4 per cent on month, down 0.8 per cent on year); October preliminary cost of living (np 0.2 per cent on month,

up 3.8 per cent on year). Italy, August wholesale prices index (up 6 per cent on year), producer prices index (up 4.3 per cent on year); September bank lending (up 5.9 per cent on year), hourly wages (up 2.6 per cent on year). balance of payments (L1.1trillion deficit), official reserves (L73.1trillion).

Spain, September budget bal-ance (Pta250bn deficit); August industrial production (down 4.8 per cent); September trade bal-Norway, October unemploy-

ment rate (5.2 per cent). Emma Tucker

RESULTS DUE

BST, the business services group in the latter stages of a three-year restructuring, is empo-ted to report interim pre-tax profits of about 145m on Monday. Now that the group is better managed, cash is being generated and its helance short is under control, investors will focus on whether HET has yet forms-

lated e plan that will inject some more excite-ment into its portfolio of justnesses. Wellcome, the pharundestiticals group, reports full-year results on Thursday. Ana-lysis expect pro-tax profits to come in at between 1540m and 8500m, compared with 15504m last year. The company will benefit

substantially from favourable exchange rates, so amention will be focused on underly-ing sales growth. Of particular interest will be the progress of Zovizez, the shingles and herpes treatment that is wallcome's best-sell-ing medicine.

Imperial Chamleal Industries, the UK's

largest chemical group, reports its third-quar-ter results on Thursday. The group is expec-ted to report pre-tax profiles of between Islan-and 570m during a difficult three months. Themsand on the continent was slow during August, and recovery in the UK and US has been heartant.

<u>PARLIAMENTARY DIARY</u>

MONDAY October 25 Comments
Questions to National Heritage Ministers and
the Chamcellor of the Ducky of Lancaster.De-bate on Public Accounts Committee reports.

■ TUESDAY October 2

Heritage: Employment; Treasu

Regulations Education and Libraries (North-ten Ireland) Order Education (School Teach-ers' Pay and Conditions) Order. Lorder Debate on the report of the Royal Commis-tion on Criminal Justica Scient Commissions.

THURSDAY October 28 Commons:
Agriculture quastiona. 3.15pm Questions to
the Prime Minister. Debate opened by Liberal
Democrats on crime prevention. Debate
opened by the SSSP on "the need for a cold
climate allowance". Cords: Burupean Partiamentary Elections Bill, third Burupean Partiamentary Elections Bill, third rend-reading, Curdiff Bay Barrage Bill, third ing, Noise and Statutory Nuisanea Bill, third

reading. Disclosure of Interests to Sh (Amendment; Regulations Debate on con-to the Armenia and Azerbaijan region. Select Com Health and National Heritage. FRIDAY October 29

■ SATURDAY OCTOBER 30 Aegon 5% Bd. 1993 5400.0 Lionheart Cv. Cm. Pf. 3.5p Do. 7% Cv. Pf. 3.5p Lon. Merchani Secs. 7% % Cv. Un. Ln. 2009/08

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Arcadian int. 2% Un. Ln. 1989/24 54.9
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Battleys 107- Cm. Pf. 5p
Blucks Laisure 107- Cm. Pf. 5p
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Henlys 1.5p
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M TOMORROW

MB-Caradon 2.83p MTL Instruments L7p:Nurdin & Peacock 2.66p;RPS Grp. 1.1p;Woolwich Bidg. Sety. FBN 1996 277.66

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Burmah Castrol 18.59
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Exchapter 15% 1997 27.50
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M THURSDAY OCTOBER 28 Bradford & Bingley Bidg, Scty, FRN Jan.1966 Bradford & Bingtey Mag, Sery, Park 195783 Canaddan Imperial Bank of Commerce C80.33 Canaddan Pacific C80.66 Chelt, & Gioucester Bidg, Sety, 11%% Per, Int. Bearing 1397.56

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M FEIDAY OCTORER 29 Allied Irish Bics, Sub, Prim. Cap. Perp. FRN

ZISORZ Barr & Wallace Arnold Tst. 3p

rn (Devid) 2.1p vn & Tawse 7% Cm. Pf. 245p Do. Gtd. Fitg. Sub. Cap. Nis. '97 \$132.71

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Oman Exhibition Worried about downturn in Europe? Look East in Omas. It's at Arab-British Chamber of Commerce, 6 Belgrave Square, London, 10am - 6pm, Bur draw Gulf Alt zeturn ticket London-

Tel: 071 235 4363 LONDON

OCTOBER 28 & 29 Fund Management - The Issue

and Opportunities Win Bischoff, Haruko Fukuda, James tinger, Alastair Ross Goobey and Stanislas Yasankovleb are among tha listinguished apeakers at this topical conference on a vital Industry. Extel Financial and Cityforum sponsor with Su Microsystems and The City Research Project support. Contact: Cityforum Ltd Tel: 0225 466744 Fax: 0225 442903

NOVEMBER 1-3 City of London imaging

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NOVEMBER 1-5 Banking Conference

New Froatiem In Consumer Figureial Card Forom/Retail Banking Strategy speakers from: MasterCard, Vias, Europay, Credit Suisse, VSB Greup, Wells Fargo Bank, Robeco Group, AITC, Central Hispano and many more. Contact: Alison Keir, Lafferty Conferences Tel: 071 782 0590; Fax: 071 782 0595

NOVEMBER 2

If you ever have to sell - sell well When the family wishes to sell its business, without good planning, a crisis can be prayoked. Evealag aeminar onvering how to negotiate heads of agreement, the advisability of carn-outs, warranties and indomnities, and disclosure act Diane Deacoo, Centre for Family

LONDON

Business, 071-486 5888 LONDON

NOVEMBER 3 European Home Shopping
US and European experts debate this retail US and European experts debate this retail revolution. Topics to be covered: in-depth

access the consumer; what's is store for the electronic retail industry. Contact: Patricia Baynton, Kagun World

hualness; regulating the sale of merchandise in the home; how best to

Tel: (071) 371 8880 Fax: (071) 371 8715

NOVEMBER 3

UK Airports Policy Post

A conference examining runaway capacity issues, slot allocation, the planning an environmental aspects of future eirport needs and regional airport privatisation. Speakera izelade the Minister Int Aviation, Rt Hop The Earl of Caithness and representatives from BAA, the Dtp. British Airways, CAA, Regional Airports, ERM and Coopem & Lybrand. Contact: lain Dale, The Waterfront Partnership.

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NOVEMBER 4 **Goode Committee Report** Professor Roy Gooda (Chairman), William Hague MP (Keyaote Address) and leading pensions expens will discuss future role of trustees/actuaries/pensions ombudaman; surpluses - who owns them?:

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NOVEMBER 4 Interactive Multimedia in

21 leading industry experts debate key issues skaping the future of this nascent industry. Topics: setting the standards for IM development; interactive television; erealing demand for loteractive correctaming findings the control in fund programming; finding the capital to fand the future. Confact: Potricia Bayaloo, an World Media Ltd. LONDON Tel: (071) 371 8880 Fax: (071) 371 8715 LONDON

> NOVEMBER 5 The Changing World of Work Planning in meet the challenges after the

and FRES. Range of top speakers will give practical view on implications of hanging work patterns for developing Cost: £275 + VAT.

act Anna Harman Tel: 071 353 9961 LONDON

NOVEMBER 8 Successful Outsourcing: The Challenge for i.T.

designed to help senior LT. and business managers assess the potential value of outsourcing to their organisations and to identify the factors that contribute to the ssfut selection and management of such arrangements. Contact: Business Intell Fax: 081-544 9020

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NOVEMBER 9 Photocopying Industry
CBUFSB '/a day conference provides a
platform for views from OFT, office equipment users, distributors and finance companies on correct and future market

Contact Georgina Kingaby, Tel: 071 379 7400 Pax: 071 497 3646

LONDON NOVEMBER 9

Water: Paying for Quality Following the report on the setting of the new price limits for the water industry, delegates will be given the opportu arising with our distinguished panel of speakers from a cross-section of the Water Contact: Clairo Meckins,

Tel: 071-830 1076 LONDON

NOVEMBER 9-11

TCS&D 93 ...the Temperature Controlled Storage and Oistribution Exhibition and Cooference. Oreater Monchester Exhibition Centre (G-MEX), Manchester. For free exhibition admission ticket contect Lorraine Rogers, FMJ International Publications Ltd. Tel: (0737) 768611. Fax: (0737) 761685.

NOVEMBER 11 Combating Fraud

 A Systems Perspective Praf. Micheel Levl, Mikn Hendry & speakers from Barclays Bank, Nationwide BS & the British Retail Consortium Crime ative describe how DSS, Operational employer responsibilities; compensation scheme following the Goode Committee Report. Few places remaining. Telephone Charlotte Thomaton 071 637 4383 or Fax 071 631 3214 Research & IT are used innovatively by major Institutions to counter fraud. £110 (£95) + VAT; reduc'd rate for C.I.B./

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NOVEMBER 11 Café Royal London WI Featuring VAT issues for newspapers and publishing, single market Imple VAT on land and property, etc. Price: £250 plus VAT.

Contact: Gee Conferences

LONDON **NOVEMBER 12 & 19** Annual Company Report FRS; FREO 3; Off Balance Sheet Finance; Fair Vulues; Mergera Acquisitions and Goodwill; Related Party Transactions; Urgent Issues Task Force and Review Pacel; Cadbury and ASP3 Operation and Stonagh Benjam, ASP3

Operating and Financial Review. CPE 16 Tel: 071 637 4383 Fax: 071 631 3214

LONDON/EDINBURGH **NOVEMBER 15-18** Understanding Data

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Resigned for all who require an explanation of the many acronyms and to relate them to the busi ness need. Contact: Peter Barnes, The Infomatics Resource Centre, Tel: 081 871 2546 LONDON

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Tel: 0959 565820

introduction to Foreign exchange and money markets Highly participotive training course covering traditional FX and money markets (Sterling and Enrocurrencie For Corporate treasurers, bank dealer marketing executives, financial controllers, systems and support personnel £440 + VAT Lywood David International Ltd.

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by taking e process view of your business. or reps from leading compar US & UK outline how brainess romajor Improvements in corporate Contact: Business Intelligence

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as FEIDAY OCTOBER 20 COMPANY MEETINGS: Bailey (Ban) Construction Cliff Street, Mexicorough, BOARD MPETINGS:

Beverley Grp. Clayton & Son

Autotech '93 The Antomotive Technology Event, organised by Engineers for Engineers. This International event will include a Congress, Conference and Exhibition and will present the latest in automobile technology. Equiries: Roger West - Centre Exhibitions Tel: 021 780 4141 (Ext 2683)

pany meetings are consistent of the collect otherwise stated, as note: Reports and accounts are not mally synthate to approve the

BIRMINGHAM **NOVEMBER 17** Foreign Exchange Options

> spects of the FX Option Markets: Trading Strategies, Forward Arbitrage Calculations, Pricing Models, Hedging, Volatility Eaposure & Time Occay. Veaue: Cambridge Science Park, CAMBRIOGE. £345 (I day Contact: Kathy Page, Brady Floancist Seminars. Tel: (0223) 423250

> CAMBRIDGE **NOVEMBER 18** Developing a Strategic Approach

to Document Managment A vital briefing which will explore the key issues in deciding on implementing a The programme leatures specialis ors, user case studies and state of Contact: Peter Barnes, The Infe

Tel: 081 871 2546 LONDON **NOVEMBER 18** Risk and Reward in the Public

Rt Hon Roger Freemaa, MP, is the keynote speaker at this conference which locuses on the valuation of risks and the levels of rewards for custo onaires and con Coatact: Jocelya Marsh, British Public Tel: 0784 452748

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Pax: 071-873 3975/3969

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agencies the opportunity in debate the future rate of advertising within a changing brand environment. Contact: Katio Benkrander Tel: 0932 820802 Fax: 0932 820821 NOVEMBER 25 Making People-Friendly Towns

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Tibbalds. Cost £90.00, any surplus proceeds will go to The Francis Tibbalds Trust. Speakers include Martin Bradshaw. Ted Cullinan, Les Sparks, Rabin Thompson, Andy Korski and Kevia

Murray. Contact: Elaine Taylor Tel: 021-331 5112 Fax: 021-356 9915 BIRMINGHAM

NOVEMBER 25 New Roles for the City of Landon into the 21st Century A one-day conference on the apportunities for the City of London to take a more proactive role in both economic and cul

arenas within the single European market.

Contact: Jo Mainee, The Strategic

Planning Society Tel: 071 636 7737 Fax: 071 323 1692 LONDON **NOVEMBER 26**

Energy Purchasing and Risk Lixamining how to manage energy risk caposure in the new franchise markets. Reviews parchasing options, energy Igiag, regotiatiag contracts, taxation, cakers from: East Midlanda Electricity, hish Sugar, GNI, Mitsubishi Finance, Gaffaey Cliac, BP Eaergy, Arthu Andersen, SWEB. Contact ICOM Conf

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NOVEMBER 30 DECEMBER 2 & Conference

Barbican Centre. As part of the Business in Britain exhibition, one hall has been devoted to international Trade. Free Info. & advice on doing business and establishing links in more than 50 countries worldwide, For those companies wanting to increase trade or looking for investment opportunities. 10,000 visitors expected. Contact: Charles Hornor Tel: 081-673 7766 LONDON

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Banking Conference Chris Stols, Jan Picoderleith, Phillips Moutot, Manuel Guilian, Rei Masunaga. Robert Guy and Rachel Lornax co to this the second Cityforum and Ceptral Banking conference supported by the World Gold Council, Information from: Marc Lee Tel: 0225-466744 Fax: 0225-442903 LONDON

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Key Aspects of the 1993 Revision leffective I January 1994). Piral revisian for 10 years including international judicial decision technological innovations to banking, castadies and day to day practice. Contact; Linda McKay, IBC Tel: 071 637 4383 Fax: 071 631 3214

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production techniques, "Exceller

is networking to support business enterprisen. Roviews: systems implemented seross a diversity of networking technologies; client-server multimedia: network management: dat warehonsing; technical presentations product evaluations and user case studies. Hosted by US Embassy. Contact Unicom, Tel: 0895 256484 Fax: 0895 813095

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The Professional and Organisations Oimensions
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oon sessions on either IMRC

Inspection visits - how to handle thes

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Business Park near Madrid will cover bot topics including Cost Control, Bailding Appraisal, views of Developers versus Appraisal, views of Developers versus lavestors and the Optimisation of Office Space Use. Speakers becked John Sayker of IORC Curupe and Brian Only, President of RIBA. Deteils from NEINVER S.A., fax: 34-1-677 13 72. MADRID

NOVEMBER International Tax Conferences Ernst & Young's International Conference Calendar. 2 November - International Tax Planning, New York 23 November . luternational Tax Planning, Paris Contact: Michella Beard

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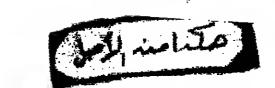
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Architecture/Colin Amery

Campus cathedral designs to enshrine Ruskin's legacy

ohn Ruskin (1819 - 1900) had a slightly confined view of architecture. He had an acute perception but sometimes his interest in the separate parts obscured, or at least clouded, his view of

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in his calmer periods he would often say that architecture had lifted him out of his ssion. Towards the end of highlife he was elevated out of a degree of gloom hy visits to the great cathedrals of France -Rouen, Amiens, Chartres and Beauvais. Only one book came of all his enthusiasm for these cathedrals as repositories of history, religion, and architecture - it was called "The Bible of Amiens". It was much admired by Proust who, in a curious way, shared with Ruskin that poetic sense of perception, memory, and meaning. It was his extraordinary facility as a descriptive and emotive writer thet brought the stones of Venice to lifa. His writings on the close relationship between architecture and sculpture demonstrate his intu-

It is encouraging news for anyone interested in Ruskin as an intellectual and artistic influence to learn that a new

itive understanding of both

foundation is being established to unify the care of two impor-tant Ruskin collections and to build a new Ruskin Library. The owners of the large collection of watercolours, manuscripts printed books and other

material associated with Ruskin are The Education Trust Ltd. The Trust owns Brantwood, near Coniston, in the English Lake District, which was Ruskin's home, as well as the great collection of Ruskiniana that has been housed for a long time at Bembridge School on the Isle of Wight.

The fact that the mass of material cannot any longer remain at the school has precipitated the need for the new Ruskin Foundation, which is a partnership between the Education Trust and the University of Lancaster.

A new Ruskin Library will be built on the campus of the University of Lancaster to house the Bembridge material. thus bringing it near to Brantwood and the Lakes. The University of Lancaster is the leading centre for nineteenth century studies and is a natural home for all the Ruskin

Professor Michael Wheeler is the Professor of English and Director of the Ruskin Programme at the University of Lancaster, and with the chairdation, Sir Richard Parsons, he is masterminding the building of the new library and the future for all the elements of what will undoubtedly be the world's foremost Ruskin Collection. He has already reached the halfway point in his fund-raising and he needs to raise another \$500,000 in the next six months so thet the building of the library can start.

R uskin was undoubtedly the greatest British art Critic and social commentator of his time and his spirit is bound to be observing the efforts which are being made to design a suitabla home for this internationally important collection.

It is a difficult task for the architect and the University of Lancaster have chosen Mr Richard MacCormac, the immediate past President of the Royal Institute of British Architects.

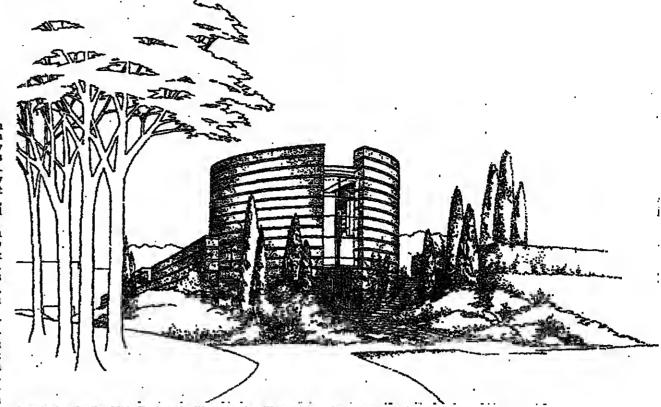
I have always admired the work of Mr MacCormac and I last wrote in this column about him when his brilliant new chapel for Fitzwilliam College Cambridge was completed. He has produced a remarkable design for the Ruskin Library.

The site for the library is on an escarpment on the western campus. From the site there is a remarkable view of the sea. Lancaster is one of the new universities of the 1960s and it was designed by Bridgwater Shepheard and Epstein and Tom Mellor and Partners.

The masterplan allowed for a pedestrian spine and randomly grouped concrete and brick It is not unsuccessful and has some good pedestrian areas. such as the main Alexandra

The Ruskin Library clearly comes from the same architectural stable as the Fitzwilliam chapel and, like that chapel, it is designed to enshrine some eternal truths. Ruskin's truths were about art and architec ture rather than about religion but it is right for the architect to plan a huilding based upon the idea of tall, curved encirc-ling and enclosing walls sheltering a rich treasury.

The elliptical huilding will be the architect decribes it as a metaphor for Ruskin's Venice. Within the outer walls is an inner enclosed archive which will appear as a giant treasury for the archives, paintings and



A metaphor for Ruskin's Venice: the library as it will appear on the University of Lancaster campus

other Ruskin relics. Not for nothing is the plan of the whole building like that of a church - the entrance. archive and reading room can be seen as the narthex, choir and sanctuary. There is an upper gallery for exhibitions and a meeting room which will have a dramatic high view of

The final choice of materials is yet to be made but the archi-tect is thinking of ways to suggest something of the stratified appearance of soma of the Italian cathedrals and churches that Ruskin liked and drew. The general plan of the library promises to be an example of what Ruskin would have said depends for its dignity upon

arrangement and government received from human mind". But architects today find it difficult to conceive of the kind of ornament that Ruskin so passionately admired and understood. No building can do more that suggest the richness of what lies within.

Mr MacCormac has been wise not to try to imitate Rus-

kin. His new library promises to have a clarity, dignity and a sense of light and drama within that Ruskin would have liked and understood.

All any architect can do is to create the appropriate memorial presence in a building like this and to trust that it will also throw light upon the great mind of Ruskin.

English Touring Opera/Richard Fairman

Mozart and Donizetti comedies

t may seem difficult to keep track of the touring opera companies in Britain, This is a world in a constant state of revolution: Kent Opera was guillotined a few years ago and the axe now hangs threateningly over the activities of Glyndebourne Touring Opera. despite the widespread success it has always enjoyed.

English Touring Opera (formerly called Opera 80) has so far kept both its head and its grant. The company would seem to want to cheer up its audiences in the regions and this autumn's tour, which started last week at the Theatre Royal, Bath, again features very successful version of Mozart's Cost fan tutte from the spring has been paired with a new production of Donizetti's

site fashions. For the Donizetti, Stephen Medcalf has based his production on an unpromising premise, which turns out more entertaining than by rights it should. He has set Donizetti's Latin comedy among the golden fields of the American corn-belt. The villagers have become farm-hands working on the harvest. The army platoon commanded by Belcore rides in as the cavalry, with distinctive

erchiefs. Nona of this has any significant point to make and Medcalf soon loses interest in lt. What makes English Touring Opera L'elisir d'amore an enchanting and amusing evening is the very natural perforcially the delightful Nemorino of Niall Morris. Boyish, tender, unspoilt in every way, he has everything this part demands, except the top notes, which arrive more by dint of determi-

dark blue jackets and red neck-

nation than technique, Every scene between him and Mary Plazas's bright Adina touched .

The one link with the American theme is Belcore, strongly sung by Adrian Clarke and played as a bubblegum-chewing, super-confident man of action, whose idea of winning a woman is to lassoe her with his riding whip.

Jonathan May's Dulcamara, less a sharp operator than a shambolic no-hoper, did not really work; more of the Italian buffo's traditional role, to spar-

For the Donizetti, Stephen Medcalf has based his production on an unpromising premise which turns out to be more entertaining than by rights it should.

They work in virtually oppo-ite fashions. For the Donizetti, tain, should have been retained.

So long as he held stage and pit together, Andrew Greenwood was in charge of a lively performance. By English Touring Opera generally praisewor-thy standards it was not an impressive production and yet it touched a nerve.

One sensed that Donizetti felt for Nemorino - a shy, unassuming young man, always ignored, always undervalued and a serious social issue lurked below the comic sur-

The production of Cost fan tutte operates in reverse. A clever idea is there at the start: to play out this "school for lovers" in a present-day art school, where students of life drawing learn about the different anatomy of the sexes. But within a couple of scenes its dramatic potential has been frittered away, reducing all Mozart's depth of emotion and



Andrew Burden and Margaret Preece in Cosi Fan Tutte

lowest of silly farces. The English Touring Opera cast has a couple of practised comic performers, but also its share of weak singing. Fortunately, Martin André whips the music

understanding into the shal- along so fast that the end is always in sight.

The tour moves on via Halifax, York, Buxton and Canterbury, and continues until 4 Decem-

Theatre /Malcolm Rutherford

Live Like Pigs

The revival of John Arden's Live Like Pigs at the Royal Court Theatre Upstairs 35 years after it was first performed on the Court's main stage is a must both for students of drama and of social

The most interesting aspect of it is the way it is rooted in the immediate postwar past, yet uncannily looks forward to a rebellion against the welfare state. The date is 1958 or thereabouts; British standards of living were rising rapidly and bureaucratic controls were being reduced.

Yet that is not how it comes out in the play. Bureaucracy is seen as all-powerful, whether from the Town Hall, which allocates housing, or tha National Insurance Office,

people's movements. The intention behind the welfare state may be benign (Arden doesn't overtly concede even that); his play suggests that it was feared, not loved, by those whom it was set up to help. As for rising affluence, the

only visible consumer good in Live Like Pigs is an old-fashioned gramophone which plays 78s. Possession of this is enough to pin a suspicion that it may have been stolen. There are no telephones, no TV and only a reference to cars, though there is a regular bus service. The underlying idea of

Arden's play is a good one and has stood the test of time. An

development. Next door is a more conventional family where father and daughter have jobs, the mother does the washing, and there is a settled way of life. The two families clash, just as the inflow of migrants has continued to lead to clashes with the more established community.

Live Like Pigs is more subtle than outright confrontation. There are sexual exchanges between the families. The conventional working class man remembers the experiences he had during the war and falls for Big Rachel, sensationally played by Kathryn Hunter as one of the travellers. In the end, the established

extended family of travelling community turns on the outpeople who used to live in a siders. But there have been caravan by the railway siding some striking changes in atti-is moved into a new housing tudes. The policeman who

enters is not automatically presented by Arden as chief villain. If anything, he is rather less culpable than the man from the Town Hall: simply out of his depth in the new order. The female doctor who comes fro the National Health Service is shown as utterly useless. In those days there were no social workers.

Theatre styles have changed. too. Live Like Pigs is three hours long and has an unnecessary chorus. The influence of writing for TV has made this kind of play much shorter and tighter. Yet produced by the Classics on a Shoestring Company and directed by Katie class of its kind.

Royal Court Theatre Upstairs,

South Bank's Czech Festival/David Murray

Pure melodrama

n the 18th and 19th centuries, "melodrama" meant something quite specific: spoken declamation over purpose-designed music. Mozart liked the idea, and intended to explore it more than he found time to; Violetta's letter-reading in the last sct of Traviata is melodrama; at late as 1897, Richard Strauss set Tennyson's Enoch Arden for récliant and florid viano.

Crech composers took to the genre with enthusiasm, and it has not been forgotten in the South Bank's Czech Festival In the Queen Elizabeth Hall on Friday, the Orchestra of the Age of Enlightenment treated us to Georg Benda's complete Medea, as fully cast, costumed and staged as this three-quarter-hour piece requires. If it it boasts an iron consistency failed to draw the full house it and purpose, and more variety deserved. It excited the audience who were there. It made a rare experience, fascinating and gripping beyond expecta-

Harriet Walter's Medea strong, angular, wracked by grief mada an indelible impression, with absolute fidelity to Benda's accompanying score. Benda was ten years older than Haydn, but his score is astonishingly subtle, flexible, succinct. One would never have imagined that his 18th-century idiom could be deployed with the precision of a modern film or TV score. Nor does it sound bitty; while the music gets to expand in its own right only in a few places.

of colour and character than many an opera of its time. in John Abulafia's produc-

tion, Chris Baugh's designs and Timothy Heywood's costumes, lit by Clare Tattersall, the rest of the cast notably Vincenzo Nicoli as the faithless Jason met the standard set hy Miss Walter's scathing portrayal. The orchestra, under Ivan Fischer's alert direction. let nothing slip; what we saw and heard formed a seamless whole. Might not Benda's orchestral music have expected a little more candid surfaceemotion? The OAE never indulged in string portaments, for example (sliding from one

note to the next), though that

was a standard period device. A few more "Expressionist" touches would have been in order, without prejudice to Classical decorum.
Two more Czech composers

figured in the first half of the concert. Franz Krommer's E-flat Clarinet Concerto was full of solo virtuosity knit-two, purl-two stuff at manic speed, efficiently delivered by Antony Pay and mindless good cheer, A G Minor Symphony by Leopold Kozeluch was spare, shapely, original, harmonically adventurons (and extremely well played here). Another rea discovery, despite the fact that most of us have probably heard a little Kozeluch on Radio 3; we must start paying him better attention.



BERLIN

OPERA/DANCE Staatsoper unter den Linden Tonight and Thurs: Giselle. Tomorrow and Wed: Daniel Barenboim is piano accompanist in staged performances of works by Debussy and Falla. Fri: Entführung. Sat (also Nov 7, 14): Barenbolm conducts Harry Kupfer's production of Parsifal, with Poul Elming, Kurt Moll, Günter von Kannen and Deborah Polaski. Sun: Roland Petit's new ballet inspired fly the paintings of Otto Dix (200 4762/2035 4494) Deutsche Oper Tomorrow:

Christopher Bruce ballet programme. Wed and Fri: Le nozze di Figaro with Maria McLaughlin and Eva Johansson. Thurs: Zar und Zimmermann. Sat: Aida. Sun: Der Rosenkavalier. Nov 5: new Peter Schaufuss production of Swan Lake (341 0249)

CONCERTS Schauspielhaus Tonight: Walter Weller conducts Berlin Symphony Orchestra in works by Smetana,

Richard Strauss and Tchaikovsky. with hom soloist Radovan Vlatkovic. Wed: Uwe Gronostay conducts Berlin Radio Symphony Orchestra and Chorus in sacred works by Hindemith and Mendelssohn. Fri, Sat, Sun afternoon: Eliahu Inbal conducts BSO in Tchaikovsky and Shostakovich, with violin soloist Joshua Bell, Sun evening: Seiji Ozawa conducts Vienna Philharmonic Orchestra in Haydn, Bartok and Dvorak (2090 2156) Philharmonie Tonight: Berlin Requiem. Tomorrow: Jukka-Pekka Saraste conducts Orchestra of the Deutsche Oper in Weber, Mahler and Sibelius, with mezzo soloist Doris Soffel. Tomorrow (Kammermusiksaal): King's Singers. The Berlin Philharmonic Orchestra, currently on tour in North America, gives its next Berlin concerts under Simon Rattle on Nov 6, 7 and 8 (2548 8232)

JAZZFEST 0 Berlin's annual jazz festival opens on Thurs and runs till Sun. The line-up includes John McLaughlin Trio, Barbara Dennerlein Quartet, Woody Herman's Reunion Herd, Steve Lacy's Vespers, Charles Earland Quartet and Carnegie Hall Jazz Band, Most events take place at the Philharmonie (Tickets and information from Berlin Festival office at Budapester Strasse 48, tel 254890).

■ NEW YORK

THEATRE Later Life: A.R. Gumey's witty and perceptive play about the

reunion after 30 years of a man and woman who were once in love (Westside, 407 West 43rd St, 307 She Loves Me: the 1963 Bock,

Harnick and Masteroff musical makes a long-awaited return to Broadway in a transfer of Scott Ells' Roundabout Theatre production unabashedly simple story, with all the humanity, integrity and charm that Broadway's glitz-laden mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100)

Forbidden Broadway 1994: a new edition of Gerard Alessandrini's parodies, including spoots of Sunset Boulevard, The Who's Tommy and others (Theatre East, 211 East 60th St, 838 9090)

Angels in America: Perestroika,

the second half of Tony Kushner's epic work, is in previews, running in repertory with part one, Millenium Approaches (Walter Kerr, 219 West 48th St, 239 6200) The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the

reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 2396200) Kiss of the Spider Woman: a Kander and Ebb musical, based on the novel by Manuel Puig, directed by Harold Prince (Broadhurst, 235 West 44th St. 239

 Annia Warbucks: Kathryn Zaremba, an infant phenomenon if ever there was one, has the title role in this begutting sequel to Annie (Variety Arts, Third Ave at 14th St.

Timon of Athens: the National

Actors Theatre launches its season with Shakespeare'a tragedy, up-dated to the jazz age. In previews (Lyceum, 149 West 45th St, 239 6280)

OPERA/DANCE Metropolitan Opera The Met's first production of Verdi's Stiffelio, starring Placido Domingo, can be seen tonight and Thurs (also Nov 1, 6, 10, 13). James Levine conducts a staging by Glancarlo del Monaco. Repertory also Includes Madama Butterfly, Die Zauberflöte and La boheme (362 6000) State Theater New York City Opera'a current repertory consists of Le nozze di Floaro. Carmen and three Puccini productions - La Rondine, Tosca and Madama Butterfly (870 5570) Joyce Theater Bill T Jones/Amie Zane Dance Company is in residence till Sun. Next week Trisler

Danscompалу (242 0800) CONCERTS Carnegle Hall Tonight: Flddlefest with Itzhak Perlman, Isaac Stem, Midori and children from East Harlem schools. Thurs, Fri, Sat: Claudio Abbado conducts New York Philharmonic Orchestra in three Mahler programmes. Sun afternoon: Dennis Russell Davies conducts American Composers Orchestra in works by Copland, Sessions and

others (247 7800) Avery Fisher Hall Tonight: David Zinman conducts Orchestra of St Luke'a in Part'a Tabula Rasa and Gorecki's Third Symphony, with soprano Dawn Upshaw, Tomorrow: Dennis Russell Davies conducts New York Philharmonic Orchestra in works by Beethoven, Walton and

Debussy, with viola soloist Yuri Bashmet. Wed: Yo Yo Ma and Emanuel Ax. Thurs, Sat, next Tues: Raymond Leppard conducts NYPO in Grieg, Bartok, Ravel and kovsky. Sun afternoon: Josef Suk directs Suk Chamber Orchestra in Myslivecek, Janacek, Vanhal and Tchalkovsky. Next Mon: Charles Dutoit conducts Philadelphia Orchestra (875 5030)

Alice Tully Hall Tonight: Leonard Slatkin conducts Juliard Symphony Orchestra in first of three John Browning 60th birthday events, in which the planist plays concertos by Mozart, Barber and Beethoven. Sun afternoon: Barbara Hendricks song recital. Sun evening: Beaux Arts Trio and friends (875 5050)

■ PARIS

OPERA/DANCE Opéra Bastille Final performances of Roman Polariski's production of Les Contes d'Hoffmann are tonight, Wed and Fri, cast led by David Rendall, Gregory Yurisich, Luciana Serra, Diana Montagua and Lella Cuberli. Nov 2: revival of Katya Kabanova. Nov 17: first night of Bob Wilson'a Madama Butterfly Palais Gamiler Ballet de l'Opéra

de Paris oresents a Jerome Robbins programme daily except Mon till Nov 3. Nov 6-10: Tokyo Ballet (4742 Châtelet Frankfurt Ballet is in

residence with William Forsythe's As a garden in this setting. Daily from tomorrow till Sat (4028 2840)

CONCERTS Théâtre des Champs-Elysées

Tomorrow: Neeme Jārvi conducts Gothenburg Symphony Orchestra In works by Nielsen, Rakhmanlnov and Sibelius, plano soloist Hélène Grimaud. Wed and Thurs: Riccardo Muti conducts the Orchestre National de France in symphonies by Mendelssohn and Schubert. Fri: Seijl Ozawa conducts the Vienna Philharmonic Orchestra in Haydn, Bartok and Dvorak, Sunday: Augustin Dumay and friends play chamber music by Mozart (4952

Safe Pleyel Wed, Thurs: Semyon Bychkov conducts Orchestre de Paris and Chorus in Mahler'a Third Symphony, with Jard van Nes. Fri: Nello Santi conducts Orchestre Philharmonique da Radio Franca and Chorus in Verdi'a Requiem (4561 0630)

 New York Voices, a jazz vocal group founded in 1987, is in residence till Sat at Lionel Hampton Jazz Club, with a repertoire ranging from original compositions to Elia Fitzgerald, Stevia Wonder and Aretha Franklin. Nov 1-13: Spencer Bohren Trio (Hotel Meridien Paris Etolla, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

Paris International Jazz Festival takes place this week, with concerts at Théâtre de la Villa on Wed, Thurs and Fri featuring Steve Grossman Quartet, Betty Carter, Bill Evens Band and others (4274 2277), and at Malson de Radio France on Sat and Sun featuring the National Jazz Orchestra and Danish Radio Big

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Theories behind the UK fiscal debate



next UK Budget contain tax increases - or spending cuts in spite of a modest and fragile recovery from a pro-

longed recession? Behind this over-familiar question are issues of principle which affect every advanced industrial economy and which have never been resolved since the second world war.

The chart shows a familiar stylised picture of booms and slumps around an upward underlying trend of output. The first point to note is that the upward trend, shown by the dotted line, remains unaffected by fluctuations. Some economic analyses state this explicitly, for instance the Bank of England Working Paper No 13, from which I have adapted the chart.

Granted the central assumption, the risks of doing nothing beyond Norman Lamont's deferred tax increases are overwhelming. The risk of inaction is that the UK will end up with a high hurden of interest payments, or even a debt trap in which that hurden rises out of control. (The latter is still e remote risk for the UK.)

Suppose that the UK is at point C on the chart after a prolonged recession, Then a relatively lax fiscal policy might make some contribution to ensuring that the economy does indeed recover along the nath CD. instead of carrying on longer in a depressed condition below trend. But the gains will be very limited. Output will end up, in any case, in a few years at point B on the trend line. All that chancellors can hope to do is to reduce the oscillation of the wevy line around the trend. Given all the difficulties of fine tuning and the well-known dangers of doing "too much too late" or "too little too late", anti-cycli-cal fiscal policy is as likely to aggravate fluctuetions as to

flatten them out, Now, however, let us make the different assumption that the long-run course of output or supply potential - is not to hand them back in the

Orthodox view of booms and slumps Deterministic trend in supply potential

predetermined, but can itself be reduced by e protracted recession or period of below-trend growth. There are many ways in which this can happen. Human heings can lose valuable work habits if unemployed for too long. Investment will be held back if final demand is not there, especially investment in increased capacity. (If you want to show that you are up with economic writing while making these commonsense points, you can use the word "hysteresis".)

Thus, after a prolonged recession, aggravated by perverse fiscal soundness, the economy may not be able to go back to the dotted line and stay there without overheating and explosive inflation. After a series of such episodes the British economy (or more seriously the combined economies of the industrial world) may end up instead at point E. If the trend itself is deflected downwards, national income is lower and less revenue raised at any given tax rates than if the economy had remained on the dotted line.

resolved without some estimate of how much long-run loss of output is incurred by overtight financial policies that is bow far E is likely to be below B. If it is by only a modest amount, it might still be worth correcting the budget deficit in good time to avoid the process of collecting large sums of tax from citizens just

The argument is still not

shape of deht interest. This is a costly irritation involving distortionary taxation which could itself inhibit supply potential Gevyn Davies, in the Goldman Sachs Economics Analyst which provides the thinking behind the IFS Green Budget, hints at such a cost benefit analysis hut does not provide it

Of course, if the economy continues to face a threat of depression for years on end it would be sensible to try to reduce the deadweight burden of interest payments under national debt, by trying to switch the weight of stimulative policy to the monetary side, that is by cutting interest rates so much that tax rates can safely be edged upwards. But whether one likes It or not, monetary policy has an internationel dimension; and it would be more prudent to allow fiscal policy to continue to bear some of the weight of economic stimulation until we have seen how far international interest rates are likely to fall, after the German cut.

These are highly important details, which have caused ministerial resignations and prime ministerial tantrums. But the point of principle is whether fiscal policy can affect the path of output to any worthwhile extent: and, if so, wbether the short-term path of output can affect the underlying trend. Learned treatises on the need for budget tightening which do not consider these matters should go into the bin.

Siddharth Shriram, a 49-year-old Indian businessman locked in a family row with his 76-year-old father, says: "My father's got the wrong mind-set. His mind-set is that elders in this country are alweys right." Mr Charat Ram, the father, retorts that his son may be "intelligent and dynamic but should "pay more attention to his responsibilities".

The two men are quarrelling over the running of a loss-making, family-controlled company that makes sewing machines. Previously they might have tried to settle their differences in private. But the onset of economic reform, launched by the government in 1991, is putting pressure on the family-run groups that dominate Indian industry and is straining even strong family loyalties.

The impect of the feuding goes beyond the founding fam-ily – disrupting relations with other shareholders and outside partners, including foreign companies. Those families that cannot keep their arguments from burting their businesses will suffer.

Indian companies are usually run hy a patriarch who employs his relatives in an extended family enterprise. In theory, the family lives in harmony and holds everything in common. In practice, there have often been rows, as in family businesses in any country. India is particularly prone to such disputes because it has no primogeniture, so potential heirs squahble over their

rights, sometimes for years. Also, tough tax and foreign exchange control laws discourage families from making cash settlements for fear of disclosing their wealth. So, large numbers of heirs have to be accommodated. Even after a family has launched companies on the stock market and diluted ownership to 20 per cent or less, family members usually dominate management Directorships, chairmanships and even whole companies are created to accommodate personal whims.

But a generation of husinessmen now in their 40s, typically heirs of ageing fathers, is challenging these traditional values. These men have often worked abroad and want to promote foreign-trained managers. They believe the principle of family-first cannot survive the competitive pressures of economic deregulation.

The fathers do not necessarily dispute this view. But they often lack the younger generation's sense of urgency. They

Portraits of families at war

India's economic reform is exposing splits in family-run business groups, says Stefan Wagstyl



do not want to retire, at least not yet. Mr T Thomas, a for-mer director of Unilever, the Anglo-Dutch multinational, and a top Bomhay businessman, says: "The people at the top love to hold on to power."

Four father-son power struggles have come into the open this year. The first, involving Mr Shriram and his father, is being fought in a family with a long history of arguments over sharing its wealth. The most recent split was in the mid-1980s when the group's interests, including sugar, oils, chemicals, textiles and engineering, were divided between Mr Ram and his brother, and Mr Ram's two sons.

Mr Ram got control of Jey Engineering, the troubled sewing machine maker. However, It performed so badly after the share-out that Mr Ram turned to his son Mr Shriram for help. Mr Shriram agreed - as long as he was given a free hand. Mr Ram promised to hand over the cheirmanship to Mr Shriram, but has so far not carried out his pledge. Businessmen who know the family say the real bone of contention is the favour Mr Ram has shown over many years to Mr N R Dongre, a group manager who bas been given substantial blocks of shares by Mr Ram. Mr Ram has told journalists that Mr Dongre is "an excellent top-ranking manager" and

The atmosphere is even more tense at Apollo Tyres, one of india's largest tyremakers with annual sales of more than Rs5bn and the core of a group beaded by Mr Raunaq Singh. Mr Singh is Apollo's chairman. But daily management has for the past decade been in the hands of his son - Mr Onkar Singh Kanwar, the vice chairman. Mr Kanwar now wants to

that Mr Shriram should "take

a lesson or two from Mr

Dongre". Mr Shriram does not

take kindly to such advice.

take over as chairman but his father refuses to budge.

Mr Kanwar is widely credited with transforming Apollo from a sleepy company into a professionally run unit. He wants to respond to economic liberalisation by concentrating his resources on tyre-making.

His father wants to diversify into fields which are being

opened up by deregulation. The arguments ere so bitter that Mr Singh has accused his son of making undisclosed investments such as a Rs50m loan to Mr Harshad Mehta, the stockbroker at the centre of last year's securities market scandal. Mr Kanwar disputes the accusations.

Meanwhile, in the family of

Mr Mohan Singh, a 76-year-old Delhi-based pbarmeceuticals entrepreneur, the arguments have reached such a pitch that a former chief justice of India bas been asked to arbitrate. The quarrels began three years ago when Mr Mohan Singh divided his business between his three sons. Mr Parvinder Singh, the eldest, was given Ranbaxy Laboratories, the family's flagship. However, the gifts came with strings ettached. As Mr Mohan Singh says, without a touch of irony: "I gave everybody freedom. The only condition was that they work under my supervision and control."

Mr Parvinder Singh has refused to acknowledge his

father's supremacy. To make matters worse he has managed Ranbaxy Laboratories so well that, with a turnover of Rs5bn a year, his business is now twice the size of his two brothers' combined interests.

Mr Kedar Nath Modi, pairiarch of one branch of the Del hi-based Modi business family, is embroiled in a similar argument with his middle son Mr Yogendra Modi. The elder Mr Modi divided his businesses including cement, textiles and chemicals - between his three sons a decade ago but insisted on a redistribution in the late 1980s after it emerged that his middle son was making far more money than his two brothers. Mr Yogendra Modi reluctantly agreed to a new settlement. But once more he proved better at managing his portion than his brothers - so this year his father has tried to impose a second redistribution Even a former cabinet secretary, called in to arbitrate, has failed to resolve the dispute.

· These arguments hurt business performance. At Apollo Tyres, senior managers and accountants are now spending time and energy investigating the charges levelled by Mr. Raunaq Singh against his son. At Ranbaxy Laboratories, foreign technology suppliers have expressed concern to the management about the stability of

commercial ties.

It is no accident that the most successful family-controlled groups have generally avoided public arguments. Tata, India's largest industrial combine, has for decades lostered good relations between family and non-family managers. Family members have always headed the group, but non-family executives bave chaired important operating companies. However, Teta's recent past has also been blighted by a family-style struggle between Mr Ratan Tata, the 56-year-old scion of the founding family who took control in the late 1980s, and ag slew of older executives in their 70s. Mr Ratan Tata won.

As long as the family is in charge the temptation remains to put family interests first. As Mr N Vaghul, chairman of the Industrial Credit and Investment Corporation of India, a development bank, says: "The problem is that decisions are geared not to business needs but to family needs." He believes that, as in the west, professionals will gradually take over from family managers. But, judging by this year's rows, not all groups will successfully manage the delicate

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not band written. Please set fax for finest resolution

Review must protect | Reporting reminiscent of local democracy

Criticism of banks over-heated

allegiance.

Adrian Martin,

27 Newlands

Whitfield,

Dover,

From Mr Brian Briscoe. Sir, John Authers' piece ("Up the pole at the town hall", October 20) is an excellent summary of the problems and costs of the proposed review of local government. There is another point of national importance which may well be overlooked in the piecemeal review of local government structures. Some may argue that unitary structures will improve public accountability. Perbaps so, but only if the gradual accretion of powers from local democracy to White-

hall is halted. Local government exists to enable local choices to be made

Sir. Mr Prodhan (Letters,

October 22) joins the ranks of those whose criticism of "the

hanks" conteins more heat

Charges levied upon retailers

are often far less than 4 per cent and are negotiable. The cost and security implications

to such retailers of dealing

with increased cash far out-

weigh the modest costs involved in accepting card pay-

Some finance bouses offer

credit cards which allow

From Mr Adrian Martin

than light.

meots.

between competing and often irreconcilable demands. How do you choose - within limited budgets - between the needs of the elderly and the young, the demands for better maintenance and nursery schools? It is the job of local politicians to decide these issues and to be publicly accountable for their decisions. As we review structures we need also to huttress local democracy against the tide of Whitehall's bureau-

Brian Briscoe chief executive Hertfordshire County Council.

Hertford SG13 &DE

monthly charging by direct

debit and involve no member-ship fee. Perhaps your corre-

spondent should transfer his

Unfortunately, it seems that critics of the banks expect

them to provide their services free of charge. Perhaps Mr

Prodhan will next he cam-

paigning for interest-free

an Eisenstein movie From Mr Bruce Feldman.

Sir, As a new subscriber to the FT in Akashi City, Japan, I was rendered breathless upon receiving my first issues containing the riveting articles by Mr John Lloyd about the clash resulting from the comman-deering of the Russian parliament building by foes of Presi-

dent Boris Yeltsin. Mr Lloyd's vivid writing, reminiscent of an Eisenstein movie, conveyed dramatically the exhibaration to pandemonium to terror to despondency which must have been felt by the participants.

What also emerged clearly in the articles was the considerable danger to which Mr Lloyd must surely have exposed himself in order to bring us these closely observed stories - passing blood-splattered bodies in smoke-engulfed hallways as people run wildly around, and the like.

He deserves a nice tranquil assignment writing about interest rates. Bruce Feldman Clover House, Apt. 210. 16-5 Higashi Hitomaru-cho, Akashi City, Hyogo-ken 673,

Capitalist formula for growth

Sir, The government having successfully suppressed (but not cured) inflation over a period of some years, now faces the harder challenge of achieving growth without stimulating renewed inflation. If the chancellor were to have the unusual courage to pursue a capitalist solution, the chal-lenge might be met.

My formula would include:

sharply lowered interest rates, the main benefit of which would be felt by hard-pressed companies currently working only for their banks; greatly increased and simplified incentives to persuade the earning

population to divert their expenditure from consumer. goods into wealth creating investments; and a measure to allow wages paid by private people to be tax deductible — which would be widely interpreted as according benefit to the rich, but which would go a long way towards providing a solution to the unemployment problem. Finally, these measures should be matched by harsh cuts in public sector employment.

D B Robb. managing director. Morlborough Fine English

Mariborough Wiltshire

High prices are strangling energy-intensive UK manufacturing

From Mr f J Blakey. Sir, Both Michael Smith In his article "Fears of more pit closures increase", and the Leader "Cutting Coal" (both October 19) failed to make the important connection between the predicament of the coal industry and the unique and untested electricity market structure that the government imposed when electricity was privatised.

As is well known, there is e growing surplus of coal-fired electricity generation capacity. The marginal cost of base-load electricity generation on this capacity is less than 1.5p/kwh, yet new generation capacity costing about 2.8p/kwh is being approved, built and prospering within the "market". How is this possible?

By exercising their dominant market power within a highly recovery appears to be falter-

artificial market structure National Power and PowerGen have been able to raise electriclty prices far in excess of costs. thus creating headroom for the construction of electricity generation plant using natural gas the cheapest form of new

generation plant. As a consequence, the UK's asset of large efficient coalfired power stations fuelled by increasingly competitive UK coal is now being squandered and energy-intensive manufac-turing industry is being strangulated by high electricity prices which have increased by up to 70 per cent since electric-

ity was privatised. It is truly demoralising to see how slowly the government Is acting to rectify these self-inflicted wounds - particularly at a time when economic ing and there are severe problems with the balance of trade and the public sector borrowing requirement It has taken two years of

intensive lobbying by large electricity consumers for the Department of Trade and industry even to acknowledge that there is a problem; and It seems increasingly likely that the government will raly on Offer to refer the generators to the Monopolles and Mergers Commission as its agent in effecting a solution. If this were to happen, it is likely to be mid-1995 at the earliest before any material changes will emerge, by which time the manufacturing base will have been further debilitated, and few coal mines will be left in

production. The government has the power to act now in

national interest to arrest the artificial decline in the use of coal for electricity generation. and to reform the electricity market so that the declining costs of coal in efficient base load stations are reflected in internationally compatitive prices to electricity intensive manufacturing industry, in essence these were the recom-mendations of the trade and industry select committee in its report of January 1993; which was largely ignored by the government. Now that the adverse consequences for the coal industry and electricity consumers are clearer we cal only hope that the government will listen and act. l J Blakey

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FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday October 25 1993

High times on newer markets

EMERGING markets becoming popular, and to match the flurry of new funds in the west to cash in on the interest of investors there is e corresponding wave of flotations and bond issues in developing countries. Last week's proposed offer of \$400m worth of shares in Telecomasia in

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Bangkok is e case in point. Is this flood of money becoming dangerous? US closed-end funds alone have raised nearly \$4bn this year to invest in these suddenly glamorous opportunities. There is an obvious element of marketing man's gloss even in the title emerging markets itself: these are in fact high risk or immature markets, and certain of them, especially in Latin America, have been

emerging for at least 150 years.

Behind the hype, however, there are some solid reasons at present for investors to look outside the investment mainstream. Economic growth in the G7 industrial countries has averaged only about 11/2 per cent a year in the 1990s so far, and many investors in the US, for instance, appear to have concluded that shares on Wall Street have become overpriced in relation to corporate growth prospects. Yet many developing economies have been expanding at 6 per cent or more. There has been a general extension of market-oriented capitalist economic systems. China has been a sleeping giant but is now undergoing rapid change and has far greater potential than the various smaller emerging markets that have occupied investors' attention in the

Advanced technology

Improved communications have made it more practical for foreign investors to manage their portfolios in far-flung territories. Advanced technology has also transformed the dealing and settlement aspects of investment in securities, at least in the better markets. A general relaxation of financial restrictions has made the international movement of capital easier. In addition, moves towards privatisation are making available for investment substantial compa-nies of the kind which institutional investors often find more kets will find life dangerous in comfortable to hold in their portfolios than they do the creations of if they fail to recognise tha right colourful local entrepreneurs.

More fundamentally, it is arguable that the whole balance of the world economy is shifting, as developing world labour is harnessed to the exploitation of imported technologies. But whether the political structures in developing countries can cope with the stresses is another mat ter. "President overthrown" is the kind of news story which tests the nerves of an emerging markets investor, it is even alleged by police in Caracas that stockbro kers and other financial professionals took part in a terrorist bombing campaign in Venezuela this summer in order to force profit-making opportunities in the financial markets.

Potential bubbles

The immediate problem is one of potential bubbles, with market prices being pushed sky-high by the sheer volume of inflowing capital, creating a self-feeding spiral. This eppears to be happening in Hong Kong, where after a previous bubble, in October 1987, share prices crashed by 42 per cent in a

Selecting the sound from the unsound is no easy task. Once the US was an emerging market, and But some of today's burgeoning markets will not make the transition to maturity. Values to an overseas investor depend not only upon the echievement of economic growth but on wbether a country considers it important to honour liabilities to foreigners. Where hyperinflation exists, as it still does in too many Latin American and east European countries, it is a sign of unwillingness even to recognise domestic obligations. In China, the source of the most ambitious projections emong emerging markets promoters, the suspect quality of information makes reading economic develop-

ments even more difficult than in London and New York. The fear is that when money is plentiful investors become less discriminating. Indeed the riskiest markets will, for a while, tend to be the best performers: Nigerian bonds head this year's league anything but the very short term balance between risk and return.

British Gas and the MMC

A YEAR of investigation by the Monopolies and Mergers Commismost in need while harnessing Monopolies and Mergers Commission has not ended debate over the future of the UK gas industry. Argument still rages over the main questions: whether British Gas'a domestic monopoly should be abolished and whether the company's trading arm should be divested from its pipeline business. With public consultation on the MMC's recommendations due to end this week, it is unclear what ministers, who bave the

final say, will decide. The snag is that there is little support for the MMC's line that British Gas should be broken up in 1997 and its monopoly abolished three to five years later. The Gas Consumers Council is suspicious of both break-up and abolition of the monopoly, fearing they would result in higher prices, particularly for the poorest customers. Independent gas suppliars want the market opened up much sooner than the end of the century but care little either way about break-up. Ofgas, the industry reg-ulator, is taking e similar line reversing its earlier position that break-up was necessary for competition to flourish. The only party reasonably content with the MMC's package is British Gas. which previously argued against

being broken up.
In bringing this tangled debate
to an end, Mr Michael Heseltine, the trade and industry secretary, should bold fast to the golden rule: competition wherever possible and regulation only where necessary. Competition is the most effective tool for driving costs down and widening consumer choice. Regulation can strangle

the benefits competition brings. Such considerations mean priority should be given to abolishing the domestic monopoly. It is not ecceptable for consumers to be denied a choice of gas suppliers until the next century.

Higher bills

But this does not mean concerns over competition leading to higher gas bills can be swept aside. British Gas's charging structure is riddled with cross-subsidies, which would be eroded by competition. Ministers will not want a similar row to that which has greeted the imposition of VAT on fuel bills. An acceptable way must theremarket forces. Such a combination is not, as many suppose, e contra-diction in terms. Social obligations can be maintained in a competitive market, as experience in tele-

communications has shown. There are different ways of achieving this. in choosing, ministers should be guided by the need to keep regulation in check. Such an imperative counts against Ofgas's proposal that onerous social obligations - equivalent to those currently borne by British Gas should be imposed on all competi-tors. This could deter potential rivals from entering the market.

Social obligations

A better approach would be to conduct e proper analysis of which social obligations are desirable and then cost them. At present, there is much fuzzy talk about cross-subsidies between dif-ferent types of customer but little analysis of how well these are targeted on those most in need. Once social obligations had been

costed, it would be possible to require one supplier to meet the obligations and the rest to pay their share. Initially, it would be natural for the obligations to remain with British Gas. But in the longer rum, the role could be put out to competitive tender and given to the operator requiring the

lowest subsidy.

The need to keep regulation to the minimum is also the most persuasive reason for splitting British Ges's trading and pipeline operations. Although the MMC probably overstated the case by arguing that self-sustaining com-petition would be impossible without break-up, such e structure would certainly enhance the prospects of competition. So long as British Gas remains an integrated group, there will be a need for constant regulatory intervention to ensure rivals gain fair access to

its pipelines.
Some think it impractical to press ahead with ebolition of the domestic monopoly and break-up at the sama time. If that were the case, ministers should give priority to opening up the market. But it is not clear why there has to be such a trade-off. Ideally, Mr Heseltine should give the green light to both.

The welfare state, the glue that binds the social fabric of world's edvanced capitalist economies, is com-ing unstuck. The its increasing cost

get deficits burden most of the 24 member states of the Organisation for Economic Co-operation and Development.
Rising welfare spending has been

increase in net state borrowing of 3 percentage points of GDP across the OECD between 1989 and 1992. in the longer term, there are fears that the cost of the welfare state could become insupportable as pop-ulations age over the next 50 years. While short-term measures may

a significant factor in the average

ease the immediate budgetary pressures, more fundamental reforms will be needed if the welfare state is not to undermine the economic per-formance which has underpinned its enormous expansion since the second world war.

Reform of national welfare systems to bring costs under con-trol is now on the political agenda throughout the OECD, as countries struggla to rein in govarnment spending. Total government spend-ing in the OECD countries has risen from 28.1 per cent of GDP in 1960 to 43.8 per cent in 1990. The biggest element in this growth has been the cost of pensions, healthcare, unem-ployment benefits and family support. Social security payments more than doubled during this period, from 7 per cent of GDP to 15.4 per cent. Health expenditure also doubled, from 3.9 per cent to 7.8 per

The largest single budget item in most welfare states is the cost of publicly provided pensions. Expenditure has risen rapidly in recent decades, more than doubling its average share of GDP in OECD countries since 1960, Pensions typically account for about e quarter of the increase in public expenditure over this period.

The growth is largely attributable to three factors: The increase in coverage as pension schemes introduced after the

second world war mature. The rise in the number of elderly Improvements in pension bene fits, such as automatic increases to

match rising earnings. The maturing of the welfare state is also a significant factor in the doubling of health expenditure since 1960. Countries such as Spain, Ireland and the Netherlands have been extending their public healthcare systems to provide universal

coverage.
As with pensions, health systems have become more generous in the wake of economic growth - for example, including grafts and transplants that were previously regarded as experimental. The ageg of the population has also contributed to rising costs, though not as much as for pensions.

Rising unemployment has added to the cost of the welfare state in both unemployment benefits and general family support for low-income families. But it has also helped to push up the budget for sickness and invalidity benefits, which often offer an escape route into early retirement for older

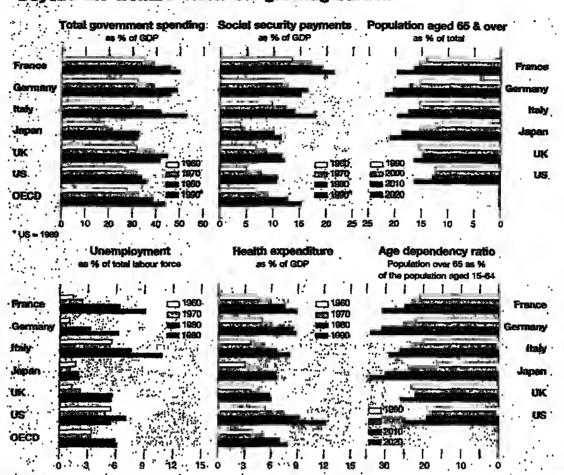
Most OECD countries have recognised the need to curb growth in these main areas of welfare spending during the 1980s, and have introduced policies to tackle the underlying causes. For example, governments have become much less willing to offer improvements in pensions. Moves are afoot in countries such as Germany and Italy to raise the pension age. Automatic indexation of pensions to earnings has been weakened in Germany and ended altogether in the

UK for the basic flat-rate pension. Healthcare systems have been reformed to make them more efficient and to bear down on the cost of pharmaceuticals. Although there are considerable differences between national health systems. healthcare reforms in countries

Governments are anxious to cut the cost of pensions, healthcare and benefit payments.

John Willman explains their options Welfare versus wealth of nations

Beyond the welfare state: the growing burden



are increasingly converging on models that use competition and price incentives to control costs.

Many countries have also begun to tighten up on unemployment benefits, with reductions in benefit levels and more rigorous conditions to qualify. Active labour market policies have been introduced to promote a return to employment. Some countries have succeeded in stabilising their welfare costs by measures such as these. But what most concerns those responsible for public finances is the strength of underlying pressures on welfare spending that will push costs upwards in the future.

Only halfway through the 21st century will the number of over-65s peak, at about 190m

The most important of these is demography. Increases in life expectancy have already increased the number of elderly people collecting pensions. The number of over-65s in the 24 OECD member states rose from 61m in 1960 to more than 100m

The growth is accelerating, with the number projected to rise to more than 115m in 2000, 131m in 2010 and 156m by 2020. Only halfway through the 21st century will the number of over-65s peak, at

about 190m. The strain that this will put on the welfare state can best be seen by relating it to expected trends in the number of people of working age. The standard measure for this is the age dependency ratio, the population over 65 as a percentage

such as the UK and the Netherlands of the population aged 15-64. For the OECD as a whole, the age dependency ratio is predicted to rise from about 19 per cent in 1990 to 28 per

cent by 2020 and 37 per cent by 2040. Some countries face much greater pressures from the ageing of their populations than others. Germany and Japan, for example, will both have age dependency ratios of 34 per cent by 2020 - one person over the age of 65 for every three people between 15 and 64. By 2040, almost half of Germany's population could be over 65, though the proportion will fall thereafter.

Age dependency ratios will climb more slowly in the UK and US, to about 25 per cent in 2020 - four people of working age to support every elderly person. in both countries, ratios will peak at about 33 per cent in 2040.

The most immediate impact of

these demographic changes will be on pensions, where costs will in any case rise as pension schemes con-tinue to mature. Overall, the OECD estimates that the pension burden could double over the next 50 years. Real economic growth rates of up to 1.5 per cent e year would be needed to pay for pensions alone - and that on the assumption that the pensions do not increase in real terms. in practice, increasing pensions in line with prices might be difficult to

sustain if earnings rose faster. The growing gap between pensioners and those still at work which would result could be politically unacceptable. However, raising pensions by more than prices would either require much higher growth rates or higher taxes for those in work to pay the bill.

The impact of an ageing popula-tion on healthcare costs is less clear-cut. Experts differ on whether increased longevity inevitably means more medical care: while

more might be required for the very elderly, less might be needed for vounger people as chronic diseases become less common.

Additional costs of new drugs and advances in medical technology could be at least as important as demography in pushing up health-

However, there will be an increase in demand for geriatric care and social services for the elderly. This will be encouraged by social changes, such as the decline of the extended family in which older people were cared for by younger relatives.

Other changes in social structure are also pushing up the demands on

No country can long afford to burden business with higher welfare costs than its neighbours

the welfare state. Throughout the OECD, for example, the number of lone-parent families has been rising since the 1960s. in some countries, the increase has been relatively moderate - 20 per cent or less in countries such as France, Jepan and Switzerland. At the other extreme, the increase has exceeded 50 per cent in the UK and Australia. In the US the number has more than doubled. Lone-parent families now typically constitute 10 to 15 per cent of of all families with children in OECD countries. In the US it is one in four families.

The reasons for the growth include the greater ease of separation and divorce. But inevitably lone-parent families rely on welfare provision to a far greater extent than two-parent families.

Added to concerns over demography and social change are fears over the increase in unemployment levels across the OECD. Over the last two decades, jobless levels have risen during recessions but not fallen back to the same extent in

the following recovery period.
This rstchet effect bas worried the Group of Seven leading indus-trial countries sufficiently for an employment summit to be hosted by President Clinton in the coming months. Continuing rises in the base level of unemployment would further undermine countries' ability to pay for their welfare states. Responses to these cost pressures vary from country to country. Ger-many, the UK, France, Italy and the

US are among countries which have already raised tax and social secu-rity contribution levels.

However, the scope for such increases is limited by voters' reluctance to pay higher taxes. Where the cost of welfare is jointly funded by employers - as in Germany -higher contributions ere also increasingly resisted by business. which fears the consequences for international competitiveness of higher costs. in e global economy. no country can long afford to bur-den business with higher welfare costs than its neighbours.

n alternative response to cost pressures would be further increases in borrowing to fund the welwould also have deleterious effects, eccording to the OECD. Average government debt in OECD countries has risen from 23 per cent of GDP in 1979 to 44 per cent in 1992.

Without either tax rises or cuts in welfare budgets, current welfsre spending plans could increase debt ratios on average by 90 percentage points over the next 40 years. according to one OECD study. It says this is e situation which most would think unsustainable".

This is wby the OECD's balfyearly Economic Outlook repeatedly stresses the importance of controlling welfare spending in improving economic performance. Tha OECD's immediate priorities for reform include charges for the use of some welfare services and greater competition to increase the efficiency of those services.

But the OECD has also drawn ettention to the need for action to anticipate the funding implications of the rise in the number of elderly people. Tackling these longer-term pressures will require more than tinkering with charges and efficiency drives in welfare services.

Significant cuts in benefit levels. for example, may be needed including greater targeting of benefits on the most needy. User charges could become increasingly widespread, especially for the better-off. They could rise to cover a much larger part of the costs of welfare services. And the demands put on the welfare state might be eased by encouraging more private provisi of pensions and bealthcare.

Measures such as these would fundamentally change the nature of the welfare state, bowever. From providing support "from the cradle to the grave", it would become a safety net for those who could not afford to provide for themselves.

As countries become wealthier, moving the boundary between the state's responsibilities and those of the individual in this way may be e natural step. But it would be politically controversial.

Yet it is increasingly clear that

there is no alternative to fundamental reforms if advanced economies are to protect their most vulnerable citizens without imposing unacceptable burdens on economic performance. The welfare state may have effectively bound societies together through the ups and downs of the economic cycle for the last 40 years. But a new glue will be needed over the next 50 years if edvanced economies are to pass beyond the welfare

This is the first in o series of articles analysing the pressures on the wel-fare state across the world, and examining policy options for reliev-

OBSERVER

Buying the

■ Private investors in the Bank for International Settlements will be watching carefully the change of guard when Andrew Crockett, international director of the Bank of England, takes over as general

manager. Investors? Yes, strange to tell, some 16 per cent of the stock in the secretive central bankers' central bank can be bought and

sold in e European stock exchange.
When the institution was created
in 1930 to recycle German
reparations after the first world war, the equity was divided up between member central banks.
But the US declined to take up its share allocation, and part of the French and Belgian tranches were also released, all to be traded

publicly, though without voting rights. Last Friday, in the "over-the-counter" section of the Basle stock exchange, one BIS share, from the most liquid, American quota, was trading at SF19400 (£4,335).

The share, which by virtue of the bank's vast gold reserves is one of the safest and cheapest gold-related securities around, can currently be bought at a 31 per cent discount to net asset value. When the precious metal is really hot, the shares have historically commanded a small premium.

The intriguing part for the true optimist is, that, if the bank's hidden assets, including tracts of valuable land around Basie, are included, brokers actually calculate the shares to be worth nearer \$18,000 each.
As a prudent central banker,

Crockett will no doubt be wise to the sirens who whisper that the over-capitalised bank ought one day return some of its enormous wealth to shareholders via e special dividend.

Run out

■ Well done the Toronto Blue Jays. Last year, Canada's constitutional referendum coincided with the Blue Jays' victory parade, after the baseball players became the first non-US team to win the World Series. in an encore this weekend. they comfortably retained the title ahead of today's general election.

Sadly, Blue Jay-induced euphoria bodes ill for the Conservative party. Brian Mulroney's constitutional proposal was firmly rejected, and now it looks as if Mulroney's successor, Kim Campbell, is polsed for a resounding defeat. She could always take up baseball.

Model job

■ Seeing the Confederation of British industry and the Engineering Employers' Federation are expected to tie the knot over

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'I'm e grey leopard. I can't change my liver spots'

the next few months, who is likely to emerge as the combined entity's mouthpiece on economics? Now that Andrew Sentance, the CBI's economics director, has handed in his notice in favour of a job et the London Business School, the choice could be a straight tussle between the affable Sudhir Junankar, Sentance's deputy, and Ian Thompson, the cerebral but somewhat retiring economic adviser at the federation.

Should the revamped body decide to look elsewhere, it might consider Ford's head of economics, Kate Barker, one of the brighter economists currently working in British industry.

Alternatively, there are at least two possible candidates from the CBI old boy network: Leslie Gunde of GKN and Graham Burgess of BAT are both alumni of the economics department.
The job could also suit Richard

Freeman, the well-connected and heavyweight chief economist et ICI who must be considering pastures new after the demerger. Any footloose Treasury economists, though, would

presumably be questioning how far the views of Neil Johnson, the outgoing EEF director-general whose less-than-glowing assess of the department has been amply aired, are reflected in his colleagues' thinking.

Handbag carriers ■ As Lady Thatcher's victims bite

back, former minister Alan Clark duly pitches in with his own review of that book. But his contribution, in the Sunday Telegraph, is informed with e degree of bile that derives from another source. Laying into this *global package ... thet is gonna be marketed, he senses an act of "literary and historic vandalism", before concluding that "the book is incomplete: and somewhat polluted by the attentions of

hacks". This particular Thatcher-worshipper's frustrations are not entirely whet they might seem, for turning to his own

Diaries, one finds that Clark himself auditioned for the part of biographer. In an eudience with the Lady, he is told first of all she wants him to do the book "because you are a believer".

He makes e play not for memoirs, scripted by a ghost, but for the Official Biography by himself. Quickly realising that he has queered his pitch, he goes on to console himself with the fact that she is, wrongheadedly in his view, anyway sold on the autobiographical" approach to tell her story.

And what does New Republic editor John O'Sullivan, one of the chosen ghosts, think of Clark's verdict? "No valet is e hero, especially to another valet," he snapped, far from inanimately, out of New York yesterday.

Sic

■ What embarrassed Commonwealth officials have termed a "misunderstanding" has provided an intimate glimpse into the lives of the leaders attending the organisation's biennial conference in Cyprus. Journalists paging through the official list of delegates were astonished to find copious notes on the dietary preferences and medical ailments of the heads of government. The document was hastily replaced by an expurgated version. No prizes for guessing that John Major prefers his food "plain and simple"

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Attali quits after Air France cost cuts revised

By John Ridding in Paris

MR Bernard Attali resigned as Air France chairman last night after the French government said it was modifying a cost-cutting plan which has sparked a strike by the airline's employees. The alternative recovery plan

for the loss-making airline came as the government sought to pre-vent an escalation of the strike

Mr Bernard Bosson, transport minister, said the 4,000 joh cuts in the plan were necessary but could be achieved with a minimal number of forced redundancies. Confirming that the present controversial plan was heing scrapped, Mr Bosson said a new one had to be put forward, and he was giving himself three months to draw it up. "Wa cannot save Air France while clash-

ing with all its employees," be The surprise move came as the

THE GERMAN economy will

rebound from recession next

year, growing 1.5 per cent after

shrinking by the same proportion

in 1993, according to a majority

report from the country's six

In their traditional autumn

forecast, published today, they

predict 1 per cent growth in the

west and a 7 per cent rise in the

east, based mainly on a recovery

in trade and on assumptions that

average pay will rise 2 per cent.

Dissenters at Berlin's DIW

institute, however, expect a further fall of 0.5 per cent in the

west and growth of only 5 per

The institutes, which last year

leading economic institutes.

By Christopher Parkes

due to be joined tomorrow by Air France pilots and cabin staff and by unions at Aéroports de Paris, the airport authority, and at Air inter, the domestic airline controlled by Air France.

The dispute, now in its second week, represents a dilemma for the government of Mr Edouard Balladur, in its first serious industrial dispute since taking office in March and fears a

spread of public-sector unrest.

The government is seeking to restructure inefficient stateowned industry to ease pressure on the budget deficit - targeted at FFr317bn (£36.5hn) this year and to enable the sale of stateowned groups it has slated for privatisation. But such measures threaten to fuel protests in the public sector and add to anxiety about the unemployment rate,

which is 11.7 per cent.
A number of other public sec-

under-estimated the strength of

the slump and forecast 1 per cent

strike hy ground staff protesting tor protests are planned. in addiagainst the recovery plan was unions have called for a day of mass action on November 18 which is expected to hit France's railways, postal and telecommu-

> France Telecom and the railways are not on the privatisation list, but a one-day strike earlier this month drew wide support from workers in these groups, reflecting fears about job cuts and opposition to the govern-ment's employment hill. The bill is aimed at increasing flexibility in French labour law.

> The threat of broader publicsector actions prompted the gov-ernment to step in quickly at Air

In weekend talks, Mr Bosson offered concessions, including a proposal that pay cuts be limited to 1 per cent for the airline's lowest-paid workers and that reductions in overtime pay could also

German economy to grow 1.5% next year, say leading institutes

pan-German growth, said exports and imports would each grow 3.5 per cent. On the deficit side, they warned of a sharp increase in unemployment and were scepti-

cal of the government's plans to reduce public spending. Driven mainly by an increase of 340,000 in the jobless total in the west to 8.4 per cent, aggregate unemployment was likely to rise to 9.8 per cent, or 3.8m.

The report added that the federal budget deficit was likely to

increase DM3bn to DM110bn. The ratio of state spending to gross domestic product will probably rise to 51.5 per cent," it said, noting that this compared with around 45 per cent before unification. Warning Boun that investor confidence would be harmed if it did not act, the report said: "So far there is no convincing medium-term consolidation strategy," The coalition government's fis-

cal policy was based on increased tax revenues and welfare contributions, it charged. There was no alternative to forcing spending cuts and reducing consumptionoriented hand-outs. Mr Theo Waigel, finance minis-

ter, said at the weekend that the report confirmed the government view that the economy was recovering, although in a routine monthly study, published yester-day, the lfo institute from Municb reported waning optimism in industry after a further decline in capacity utilisation in

Ulster peace initiative in jeopardy after attack

By Philip Stephens and **Our Belfast Correspondent**

THE Hume-Adams initiative to end the fighting in Northern Ireland appeared doomed last night as Mr John Major, the UK prime minister, led a fierce denunciation of the Irish Republican Army's bombing of a husy

As the death toll from Satur-day's attack in the Protestant Shankill Road rose to 10, including one of the terrorists who planted the bomh, Mr Major ruled out early dialogue with the Republican Sinn Fein movement.

Sir Patrick Mayhew, Northern Ireland secretary, and Mr Dick Spring. Ireland's foreign affairs minister, announced they had postponed a meeting of the Anglo-Irish inter-governmental conference on Wednesday. Mr Spring had been expected at that meeting to pass on to Sir Patrick

details of the Hume-Adams plan.

But British ministers expect that the London and Dublin government. ernments will press ahead with their own efforts to devise a new constitutional settlement to pro-vide an umbrella for fresh talks between the legitimate political parties in the province.

In the wake of Saturday's mas sacre Ulster Unionists demanded an end to the so-called peace ini-tiative framed by Mr John Hume, leader of the nationalist Social Democratic Labour party, and Mr Gerry Adams, Sinn Fein president.

Mr Hume called on the two governments to speed up their consideration of the proposals, which he said offered the best hope in 20 years of ending sectarian violence in the province. However, Mr Major, who is expected to hold talks with Mr

Albert Reynolds, Irish prime minister, during Friday's European Community summit in Brussels, said the bombing had seriously undermined bopes of A large part of the premium reflects

THE LEX COLUMN Electric charge

The embarrassment of riches in the UK regional electricity companies must be giving rise to some discomfort in a number of boardrooms. Strong cashflows mean that many RECs will have net cash within the next couple of years. Yet financing such utilities with equity alone gives rise to an unacceptably high cost of capital. The RECs thus need to find ways of increasing gearing and returning the excess equity to shareholders.

Possibilities include share buy-backs and one-off mega-dividends, but the companies argue that they cannot consider change while the current regulatory review is under way. Offer, the electricity watchdog, however, is likely to view cost of capital as an important component of its review, and may not take kindly to RECs which agree price caps one week and radically alter their capital structures the next. There must be kudos for the REC which comes forward with capital reconstruction proposals that bene-fit both shareholders and customers.

Interestingly, gearing would also be increased if one REC bid mounted a cash bid for another. Some company managements have ambitions, and a merger would certainly produce cost savings. However, the premium one REC could afford to pay for another would be limited. A bid battle might well tempt in a more highly rated raider who could afford to pay more for a REC's cash generation and stable UK earnings, That leaves the question of the government's golden share, which does not expire until 1995. Given the history of previous golden shares, though, that might well prove a paper tiger.

The strength of both the Canadian dollar and its bond market suggests that, having long since given up hope of a Conservative victory, financial markets are discounting an outright Liberal win in today's election. If they are right there may be more to play for. At over 5 per cent, according to Goldman Sachs, Canadian government bonds carry the highest real yield of any in the group of seven leading

the fear of separatist movements in both Quebec and Western Canada. This would abate with a Liberal vic-tory that excluded both the Bloc Quebécois and the Reform party from a stake in a coalition government. Canadian bonds would then be particularly Government bonds 10 year yleki %

attractive to international funds on the look-out for high returns, especially after the latest cuts in European interest rates.

Jul 1992

An overall majority for the Liberals would leave their leader. Mr Jean Chrétien, free to concentrate on mundane issues like curbing the budget deficit. Even this, though, is no easy task. Bad news as it would be to Westland, cancellation of the C\$5.8bn EH-101 helicopter order would be little more than a down payment. Concerted action on the budget, coupled with the reappointment of the anti-inflationary Mr John Crow as governor of the Bank of Canada in January, could shrink the 140 basis point spread between Canadian government bonds and US treasury issues. But Mr Chretien would need a long track record of fiscal rectitude to re-establish the 50 basis point differential last seen in the summer of 1992.

Warrants

It is difficult to know whether the recent flurry of warrants on UK equi-ties should be taken as a sign of encouragement or as a warning. Most have been call warrants, giving investors the right to buy the underlying stock. At first glance, that does not suggest a market on the brink of retreat. Yet many have been warrants on hitherto unpopular sectors such as food retailers and drugs companies, often accompanied by bullish research notes. On a cynical interpretation such issues are part of an increasingly desperate search for value in an overstretched market.

While It can be unsettling to see the market led higher by derivatives, such instruments are increasingly a feature of day-to-day investment management. Unit trust managers have gained in

confidence since the Securities and Investments Board clarified the rules in 1991. The manner in which pension funds should account for derivatives has also been standardised. Importantly, pension fund trustees no longer regard futures and options as a black art to be avoided at all costs.

The current fashion for warrants is unlikely to form part of this process, though. Pension funds have been using them for some years. BTR, a core holding for many UK funds, started issuing them in 1988. On that basis the latest spate of warrant issues looks like a response to peculiar market conditions rather than part of a secular trend. The taste for highly: geared investments will not outlive the buli market.

Lonrho

Mr Tiny Rowland may have the disadvantage of the black pieces in his battle with his co-chief executive Mr Dieter Bock, but he is clearly still playing to win. Until last week Mr Bock seemed to be developing unstoppable momentum. He is Lonrho's largest single shareholder and bas assiduously courted snch institutional investors as the company could muster. His drive to open up the company, sell the Observer, and realise value for the Western Platinum and Ashanti holdings has won applause. Yet it never does to underestimate

Mr Rowland, and he has now upstaged Mr Bock twice in three days. The compromise over non-executive directors will make it harder for Mr Bock's camp to vote through changes. And the jaw-slackening peace deal with the Fayeds means that Mr Rowland does not have to fight on two fronts simultaneously. He has other advantages, most notably a hard core of support among small shareholders, intimate knowledge of Lonrho's African businesses and an ability to come up with genuinely surprising deals. Worse for Mr Bock, recent developments suggest that Mr Rowland can still dictate Lonrbo's strategy without even bothering to inform his business associates. Attempts to take Lonrho out of Mr

4 - 74

Rowland's hands have failed before, as Mr Alan Bond can ruefully confirm. While the odds favour an eventual victory for Mr Bock, it is not secure yet. Lonrbo's share price will probably bounce now the cash flow to the law-yers has dried up. But if a protracted trench war is in the offing, the two men could still damage what is left of Lonrho's prospects.

China tax

Continued from Page 1

cent in the east.

removal from the commercial banks of "policy lending" respon-sibilities such as financing big capital works projects. This task would instead be undertaken by

new "policy-lending" institutions.
He indicated that the government planned to "get tough" with loss-making state enterprises by continuing to give preference to profitable market-oriented instltutions in the provision of credit. Enterprises abould run their husinesses independently, responsible for profits and losses expansion and development."

Foreign trade reform would focus on fulfilling requirements for accession to the General Agreement on Tariffs and Trade, said Mr Li, who is responsible for overseeing China's foreign trade. He defended the Communist party's role, saying a weakening of its control risked chaos.

Bombs and bodyguards in Russian banking

Continued from Page 1

the Most (Bridge) banking and construction group openly admit-ted last week that it had a secu-

rity force of 650 men. In contrast, Mr Dmitry Tulin, the 37-year-old deputy governor of the central bank, who has just been given the thankless job of trying to improve supervision over Russia's 2,000 banks, has no bodyguard.

"We are all under a certain pressure coming from . . . underground banking activities and the bosses of the underground economy," Mr Tulin says. "But many Russians have become

This summer, Mr Sergei Panov, the official responsible for on-site inspections of banks, had his hand smashed and his dacha set on fire after he tried to investi-One night in September, a bomb

went off at a central bank annexe dering - a problem Mr Tulin xt door to the Interior Ministry, responsible for law and

It is still extremely easy to set up a bank in Russia.

"Many of our well-to-do citizens have a choice between buying a new car and setting up a bank." says Mr Tulin, who describes as "ridiculous" the central bank's Rbs100m (\$80,000) minimum capltal requirement for operating a bank. He foresees political problems in raising this limit, but bopes that closing some insolvent banks will dampen enthusiasm for setting up new ones.

Mr Tulin also wants to change the central bank's arrangement for refinancing commercial banks. In June, the management of one bank disappeared from Russia with \$4m borrowed from the central bank.

Nor does the central bank have guidelines against money-laun-

FT WORLD WEATHER

leading international experts to a seminar in Moscow next month.

Mr Sergel Rayevsky, a former finance minister who is now deputy chairman of one of the more conservative institutions, Neftekhimbank, claims that the "problems start when banks accept dirty clients". And when criminal clients ask for more "loans", bankers either pay up or suffer.
The western banks which have

begun to set up subsidiaries in Russia are taking no chances. Security for the bank established Jointly in St Petersburg by Banque Nationale de Paris and Dresdner Bank is the responsibility of Mr Yevgeny Lukyanov, a suave former KGB operative who once worked in London. He says his job ranges from protecting the bank's cash to guarding against attempts by criminals to "infiltrate" the bank.

Europe today

High pressure will keep conditions calm over the British Isles, while a series of low pres areas will cover the Continent. There will be north-westerly gales along the northern Norweglan coast. Snow showers will fall in northern coastal regions of Scandanavia but rain will occur farther south. Interior Scandinavia will remain generally dry with a few snow showers.

A weakening frontal zone over central and southern Europe will cause mainly cloudy conditions, although Italy and former Yugoslavia will have periods of sunshine. Greece, Romania and the south-western CIS region will have rain or thunder showers. Northern Germany and the Benefux countries will have some suriny spells but temperatures will remain unseasonably low.

Five-day forecast

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High pressure will stay over the British Isles and conditions will remain settled. Low pressure over Scandinavia will track east, drawing more cold unstable air into the northern CIS region and Scandinavia. Sunny spells will be Interspersed with a local snow shower in northern areas. Central Europe will remain mainly cloudy but dry, while the south-east will continue to have some sunshine.

TODAY'S TEMPERATURES

Cardin Chicago Cologne O' Salaar Dalas Delhi Dubai Dubai Duban Dubrovn Edinbun Latest technology in flying: the A340

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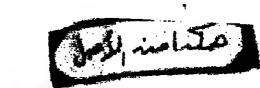
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COMPANIES & MARKETS

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Monday October 25 1993



Branson

buys out

Japanese

partner

INSIDE

Unilever closer to Bertolli buy

Unllever, the Anglo-Dutch group, has reached an advanced stage in negotiations to buy Bertolli, the edible oils side of the Italian foodstuffs group Cirio-

Fisvi, an agri-industrial holding company with extensive interests in southern Italy, is pressing ahead with tha sale of the well-known Bertolli brands to help fund its purchase of Cbd, which was privatised two weeks ago. According to trades unlons monitoring the negotiations, Unilever is likely to be asked to pay about £150bn (\$94m).

Gencor raises income

Gencor, South Africa's second-largest mining house, increased attributable income by 12 per cent, to R1.41bn (\$420m) from R1.26bn, in the year to August. Page 18

Rhône-Poulenc warns of drop

Rhône-Poulenc, the French chemicals and pharmacauticals group due to be privatised within the next few weeks, yesterday forecast that net profits would show a decline of about 30 per cent in the first nine months of the year, compared with the FFr1.11bn (\$189.7m) reported in the same period in 1992. Page 18

Swedish forestry merger

The Swedish government has announced plans to merge its interests in three state-run forestry groups – Assi and Domän, both 100 per cent state-owned, and NCB, in which the state holds 51 per cent - to creata one of Europe's 10 largest pulp and paper companies. Page 18

Lloyd's broker comes to market

Nelson Hurst, an insurance broker which specialises in professional indemnity in the Far East and Latin America, alms to list its shares on the London Stock Exchange in the next few months. The group expects to raise about £30m (\$45.3m) in fresh capital through the flotation, which is expected to value it at about £60m. Page 16

Flotations set for record

More than £2bn (\$3bn) was raised through flotations in the first three-quarters of the year and the full year total looks set to exceed the £2.6bn record set in 1987, according to figures released today by KPMG Peat Marwick, the accountants. Page 16

B&C legal action possible

Ernst & Young, administrators to British & Commonwealth Holdings, which collapsed in 1990, con-firmed yesterday that it was considering suing "various parties" connected with the collapse of the financial services group. Page 16:

Market Statistics

			_
Base lending rates FT-A World indices Back		London share service Managed fund service	27-2 23-2
FT/ISMA Int bond svc	t8	Money markets	2
Foreign exchanges	27	New int bond lesues	2
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Gencor	

about the same potency".

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Metsa-Seria NCM 18 Nedfloyd 18 SME Valmet

Bank America to cut further 3,000 jobs

Other banks, while not pointing to specific plans to cut jobs, also signalled they were putting

Robert Peston and Roland Rudd analyse the ongoing boardroom battle at Lonrho

when it cut its cost/income ratio from over 70 per cent to around 55 per cent hy last year. In the latest three months, though, the figure climbed back to 57 per cent. Mr Tom Jones, in charge of financial reporting at Citi, said recovery.

Citicorp, the US's largest bank, the bank was making renefforts to bring costs down. the bank was making renewed

By Paul Betts, Aerospace Correspondent

> MR RICHARD BRANSON bas reinforced his control of Virgin Atlantic Airways hy buying out the airline's Japanese partner, Seibu Saison, for ahout £40m-£50m (US\$74m).

> Seibu Saison, the Japanese hotel, retailing and leisure group, has beld a 10 per cent stake in Virgin Treveller, the airline's parent company, since 1989.

It had an option to huy an additional 10 per cent stake to hring its holding in Virgin Atlantic to 20 per cent. The Japanese company was planning to exercise this option this month but Mr Branson preferred to buy them out to regain full 100 per cent control of the airline.

Virgin also confirmed yesterday that Mr Branson was investing an additional US\$150m in his airline operations to finance fleet expansion, development of new long distance routes to Hong Kong and San Francisco next year and the introduction of new electronic entertainment equipment on his airline services.

Mr Branson appears to have felt that the Japanese company was no longer the best partner to help him develop his airline business. Instead, he is considering negotiating new marketing agreements with other big interna-tional carriers in the US and Asia while consolidating his ownership of his airline.

Two years ago, Mr Branson considered selling up to 40 per cent of his airline to outside investors, hut he has now shelved these plans.

gin music husiness to Thorn EMI in March, 1992, Mr Branson has refocused his husiness interests on computer game activities in

the airline from the proceeds of the Thorn EMI sale will go towards financing an offer for two Boeing 747-500 jumbo jets he is taking on leases from the Californian based ILFC aircraft leas-ing group and for four Airbus A-340 long range airliners be is acquiring through lease-ourchase agreements from the European Airhus consortium. These lease-purchase agreements give him the option of buying the equity in the A-340 aircraft when the lease

first time of electronic gambling.

While US banks owe much of also said it would concentrate By Richard Waters in New York losses will be spread across the squeeze comes in the wake of more on cutting costs, though it said it could not forecast how results last week which showed that some banks failing to main-tain the momentum in reducing their turnround in recent years to a favourable interest-rate envibank, which currently employs RENEWED round of 98,000. The California-based bank was ronment, they bave also sucmany jobs may be lost. Citicorp achieved one of the most drastic reductions in costs costs they established at the start reacting to a rise in its cost/

cost-cutting at some of the US'a largest commercial banks was presaged last week as BankAmerica, the country's second biggest, said it would shed between 3,000 and 3,750 jobs by the end of next

of the 1990s.
BankAmerica has already ahed

20,000 jobs in the past 18 months as part of efforts to rationalise its operations following its takeover of Security Pacific. The next round of job cuts, on the other hand, are part of an effort to renewed efforts into reducing bring the bank's costs more into their expenses. The latest line with competitors. The joh

income ratio, one of the key mea-sures of a bank's operating per-formance, in the face of only a negligible growth in its income over the previous year. Thirdquarter results released last week showed the ratio had crept up to 64.1 per cent, from 63.4 per cent the previous quarter, and 61 per

ceeded in bringing down their operating costs sharply. Last week Mr Gerald Corrigan, who as chairman of the New York Fed until last summer had been the US's top bank regulator, pointed to the improvements in the of the main factors behind the

Prizefighter goes into the ring with Bock

ver since Mr Tiny Row-land patched up his long-standing and bigbiy expensive quarrel with the Fayed Brothers, he has heen swaggering around like a prizefighter who has just made a successful come-

The reason for his euphoria is that for the past six months, his influence at Lonrbo, the international trading conglomerate he has dominated for more than thirty years, has been on the

Mr Dietar Bock, the German financier who at the beginning of the year acquired 18.8 per cent of Lonrho's shares and became joint chief executive of the company with Mr Rowland, has appeared to have been calling the shots.

The company's strategic moves have apparently been dictated hy Mr Bock - whether it was the disposal of businesses, such as the Observer newspaper, property in Brussels or last week's appointment of independent nonexecutives to the board for first time in 20 years. But Mr Rowland believes that

his success in ending the legal dispute over the Fayed's 1985 purchase of the stores group House of Fraser – a truce he negotiated single-bandedly between Wednesday and Friday of last week – shows that he is for from redundant. "None of my colleagues knew

[about the negotiations] and were surprised when it was signed," he

The two men rarely communicate with each other. Indeed by yesterday lunchtime, Mr Bock had still not telephoned to talk to him about it. "I am sure Bock should be delighted with the deal." Mr Rowland said. "I am sure he will want to ring and congratulate me." Furthermore, Mr Rowland

denies that most of the disposals are the doing of Mr Bock, who he says has failed to pull off a single

Most of the disposals had,



Sir Basil Smallneice: quit Lonrho in 1973 after clashing with Rowland over his management style

according to Mr Rowland, been planned for some time. By way of example he said the sale of GewoG, a German holding company with a portfolio of apart-ments, had been initiated by Mr Roger Badger, a former Lonrho director, and not hy Mr Bock. "All these deals were agreed well before Mr Bock arrived." He is also critical of the one sale he does credit Mr Bock with

achieving - the 50 per cent stake in the trading company which it owed jointly with Krupp-Hoesch. "This was a poor deal," he says.
Though he insists he is not in
conflict with Mr Bock – and says

be has "no desire" that the German financier should leave the company - be makes no secret of his discomfort with his management style. Mr Rowland said: "He thinks

Lonrho joined him and not vice versa. He will have to get used to working for Lonrho which is a public company."

Mr Bock's reply would almost

certainly be that his aim over the past few months has been to



Alan Bond: lost £60m then went bankrupt after failing to take over Lonhro in 1988

transform Lonrho into a far more conventional public company, rather than the vehicle of Mr Rowland's will. He campaigned to secure the

appointment of three non-executive directors - including two nominated by him, Mr Stephen Walls of Albert Fisher and Mr Peter Harper of Hanson – as part of a plan to maka Lonrho more open and accountable to its shareholders.

'I started the company with six people and I have no intention of leaving it'

Whether by chance or design, the appointment of non-executives also changed the balance of power on the board to the point where be is convinced that he

has more support than Mr Row-Mr Bock has also been hol-



Mohamed al Fayed: settled legal battla ovar the Fayeds' 1985

stered by the support of the group's four hig shareholders: Fidelity, with 8.9 per cent; PDFM, the fund management arm of UBS, with 2 per cent; Postel with 1.5 per cent; and Genting, a Malaysian plantations and gaming group, with 3.9 per cent.

His plans to make tha company more open and to increase the number of big institutional shareholders have been welcomed in

company, there was one deal he could never achieve. The dispute with the Fayeds was very much Mr Rowland's personal fight, because of his bitterness at having seen the stores group be longed to own being bought by Fayeds, whom he had regarded as close associates and friends.

Because the fight was so personal, only Mr Rowland could end it, even though Mr Bock has been desperate that the group should cease spending millions of pounds on it - as much as £50m has been spent by the Fayeds and



is challenging Rowland for control of Lorrho

Lonrho on the dispute to date, according to Mr Rowland. Now that peace has broken out with the Fayeds, Mr Bock may become less frightened of open war between him and Mr Rowland. Mr Bock does not believe that Mr Rowland's famous network of political and husiness contacts in Africa and the Middle East contributes as much to profits as many believe.

the City of London.

Nonetheless, in his attempts to make Lonrho a more "normal" age to the group, Mr Bock believes. He would be delighted believes. He would be delighted Were Mr Rowland to leave Lonwhich he has a call option, which is to be exercised at the end of 1995 or when Mr Rowland decides to leave the board, if he decides

to go earlier. Mr Rowland made it clear yes-terday he had no desire to quit: "I started the company with six people and I have no intention of

leaving it," be said. "I have no sense of when I will be less hands on. I have not given a second thought to being less

executive."

Dieter Bock: joint chief executive

Since the £560m sale of his Virretail operations and his airline. The \$150m he is investing in

expires

Virgin is also investing heavily to upgrade the electronic entertainments on board its aircraft including the introduction for the

Emu still firmly r John Major thinks that calls for full economic and monetary union in Europe "have all the on central quaintness of a rain dance and Tell s continental government official about the primeministerial jibe in a recent

issue of the Economist and the reaction is one of pained surprise. Britain's European parttral bank should have a money ners are again working towards Emu, even if the ambitious timetable of tha Maastricht Treaty that envisages union by 1999 may slip. Germany's ratification of Maastricht after its Constitutional Court found in favour of

brought Emu back up the European agenda. The special EC eummit in Brussels on Friday this week will decide the location of the European Monatary Institute, which, as forerunner of the pienned European central bank, will prepare for the third and final stage of Emu with its single European currency and

monetary policy.

Although August's changes to the European Monetary System mean that the European exchange rate mechanism no longer exercises its former tight discipline over EC currencies, Europe's central bankers are not ignoring Emu.

the treaty on October 12 has

Indeed, at a seminar on monetary policy, organised ln Amsterdam last week by the Dutcb central bank and the Centre for Economic Research at Tilburg University, both the Bundesbank and the Bank of England were making their cases for how monetary policy should operate once European economic monetary union is

under way.
Mr Otmar Issing, the Bundesbank's chief economist and a member of the Bundesbank board, put forward an uncompromising vision of Emu's operating according to German rules and urged that a decision on such a programme should

The planned European cen-

bank agendas

supply target to steer its policy, just as the Bundesbank steers German policy hy reference to M3, tha broad measure of German money supply. in that way, the new institution would inherit the counter inflationary credibility of the Bund-

Worries thet financial innovation might undermine such targetry on a European level, as it has in the US or Britain. were prohably overdona, Mr Issing suggested. Innovations tended to multiply in periods of high inflation and after reg-

in favour of mixing rules in monetary policy with discre-

It is fine, Mr Crockett final objective of policy such as price stability. But monetary authorities must use judgment rather than intermediate targets such as money supply in pursuit of such objectives. The pursuit of e broad money target to control inflation was too vulnerable to economic and financial change

If nothing else, the Amsterdam symposium highlighted the gulf between Angio-Saxon

Economics Notebook By Peter Norman

ulation and deregulation in the financial sector. If stage three of Emu were to begin with minimising the dangers of innovation would be good. By advocating a European

monetary policy "made in Ger-many" in this way, Mr Issing put the Bundeshank on collision course with the Bank of England. It is not so long since Mr Eddle George, tha Bank governor, threw his weight behind UK governmant efforts to scale down the EC's mone-tary ambitions by suggesting that other European member states should emulate the British practice of having an inflation target and use these to aim for economic convergence. in Amsterdam last week, Mr Andrew Crockett, the Bank's executive director for international monetary affairs, argued

and central European thinking about how monetary policy should be managed to achieve price stability. Canada and New Zealand also target inflation rates rather than intermediate goals (and introduced inflation targets before the UK) while the Bank of England's more judgmental approach has support in US academic circles. Germany's near neighbours in what is left of the ERM are keeping faith with the Bundes-

bank's counter inflation record

by not moving aggressively to cut their short-term interest

Such a debate might appear abstrusa. But the Bundesbank's credibility in continental Europe gives it the confidence to set the monetary policy agenda for Emu in other ways. Mr Issing made clear

stock as an intermediate target in monetary policy in Emu "would only he a first

He spoke warmly of the German experience of controlling money market liquidity through minimum reserves the non interest-bearing deposits that commercial banks have to place with the Bundesbank. The adoption of such a policy on a European scale could reduce the competitiveness of International banks in the City, which at present face no

As Mr Issing does not look like a rain dancer, Mr Major should perhaps take note of what he says. There is another point about the debate on future monetary policy in Emu that should weigh with all 12 EC leaders when they meet in Brussels at the end of the

Such issues as the ideal EC monetary aggregate, the merits and demerits of inflation targeting and the best way of implementing a Europe-wide monetary policy threaten to tie up some of Europe'a brightest economic policy makers at a time when more urgent ques-tions, such as how best to tackle Europe's high and rising unemployment, are crying out

for an answer. This risk became clear when Mr Kumiharu Shigehara, head of economics at the Organisaabsence of growth, Mr Shigehara warned, was fostering trade tensions and protectionism that threatened global

tion for Economic Co-operation and Development, noted that 20 of the OECD's 24 member states are projected to have inflation rates below 3 per cent and asked whether the industrialised countries should not now err on the side of eco-nomic expansion rather than combating inflation. The

prosperity.
Sadly, and perhaps significantly, his intervention was not followed up by the 70 or so central bankers and academics

BTR to spin off Graham **business**

BTR, the UK-based industrial conglomerate, plans to spin off the Graham group of builder merchants and other busi-nesses through a stock market flotation in the first half of

The flotation is expected to value the Graham group at around 2200m (\$295m). The timing is opportune since the share prices of companies like Tavis Perkins and Wolseiey, which have large builders merchant operations, have been buoyed in recently by the recovery in housebuilding. Explaining the move yester-

day Mr Alan Jackson, BTR's chief executive, said: "BTR'e stated strategy is to concentrate its resources on the ent of its core industrial manufacturing businesses. Today's announcement is "a further step in the execution of this strategy". Graham group includes Gra-ham Builders Merchants, one

of the largest distributors of building materials in the UK; George Boyd, a large ironmongery and tools distributor based in Scotland; and Goodman Croggon, a specialist dis-tributor of agricultural and fencing products.

Graham Builders Merchant's

UK and supplies a wide range of building materials. Last year tha group, which employs about 3,000 people, had turnover of some £350m. BTR said it had continued to make "substantlal" profits

has 134 branches across the

during the recession. The proposed divestment underlines Mr Jackson's determination to push on with the atrategy adopted after he became chief executive in



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COMPANIES AND FINANCE

considered

over B&C

By Scheherazade Daneshkhu

ERNST & YOUNG, adminis-

trators to British & Common-

wealth Holdings, which col-

lapsed in 1990, confirmed

yesterday that it was con-

sidering suing "various par-ties" connected with the col-

lapse of the financial services

group . The Independent on Sunday

yesterday reported that Ernst

& Young was planning to sue Barclays de Zoete Wedd.

the securities arm of Barclays

Bank, for alleged negligence in advising B&C on the take-

over of Atlantic Computers in

August 1988. B&C was subse-

quently forced to write off £550m against its investment in the company.

which it had purchased for

Ernst & Young said yester-

day that as administrators

they were "investigating any

rights of action they may have

against various parties, hot no

decision has been made as yet

The administrators con-

firmed that they had held dis-

cussions with Stephenson Har-

wood, their solicitors, and

with leading counsel about

legal action, but that a deci-

sion was unlikely to be forth-

as to whether to sne".

collapse

Lloyd's broker coming to market with £60m tag

By Richard Lapper

NELSON HURST, an insurance hroker which specialises in professional indemnity in the Far East and Latin America. aims to list its shares on the London Stock Exchange in the next few months.

The group expects to raise ahout £30m in fresh capital through the flotation, which is expected to value it at about

The listing follows a management huy-out from Citicorp -Nelson's former owners - two years ago, and is designed to give the group greater finan-cial flexibility. It is one of a number announced by companies in the insurance sector in recent weeks.

One rival broker, the Fenchurch group, has announced plans to list its insurance hroking interests with a flotation expected next month. Separate independent insurers will hecome the first insurance company to float since the second world war.

About a dozen new investment trusts are turning to the equity market to raise more than £1bn for syndicates of Lloyd's of London before the end of the year,

Nelson Hurst, the 13th largest broker in the UK, and the 26th largest broker in the world, derives about 30 per cent of its income from the

It specialises in buying insur-

BIDDER/INVESTOR

(UK)/Cable Tel (US)

Tate & Lyle (UK)

Rugby Group (UK)

Northern Foods (UK)

Royal Insurance /Sun

Guinness (UK)/LVMH

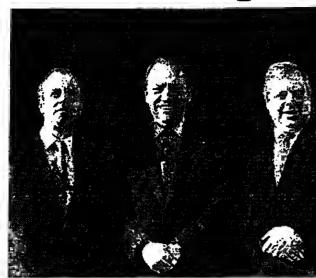
Inchcape (UK)/Zuellig

Goldman Sachs (US)

Alliance (UK)

American Brands (US)

Insurer United Friendly



David Woodward, chief executive, flanked by the two joint managing directors, John Percy-Davis (left) and John Alford

ance for professionals such as solicitors and accountants to cover them against legal awards for negligence. In addition the group has expertise in Latin America, where its clients include the operators of

the Panama Canal. Some £23m of the fresh capital raised through the flotation will he used to repay loans made hy Citicorp. Advent, the US venture capital company which owns about 30 per cent of Nelson Hurst, is expected to

reduce its stake. But Mr David Woodward. chief executive, does not expect management and staff

CROSS BORDER M&A DEALS

Invergordon (UK)

Tully Sugar/South Johnstone Mills (Australia

Unit of American Express

Heerlen/Kegro/Van Bruchem

Banketbakkerij Vanderheut

Riche Monde China (JV)

Zuellig Inchcape (JV)

Joint Venture

(Netherlands)

to sell shares in significant

After flotation, management and staff are expected to own about 30 per cent of the group while Advent's stake will amount to about 15 per cent.

The group has steadily improved its performance in the past two years with reve nues rising from £26.9m in 1990 to £28.3m in 1991 and £31.3m in 1992. Operating profits reached £3.8m in 1992, compared with £2.8m in 1991. Further improvement is on the cards this year with operating profits for the first seven months amounting

COMMENT

TV & telecoms

Cash bid via

Amex selling

Acuma arm

Expanding Dutch

Swapping Canada /NZ units

products venture

Continues a derivatives trend

Northern takes

the biscuit

Reinforces

Control won at last

£225m

£10.3m

coming in the "very near future." However, Ernst & Young would have to issue a writ before the six-year expiry date on the bringing of civil actions under the statute of limitations runs out

Last week B&C successfully sued another merchant bank, Samnel Montagu, which was ordered to pay damages of £172m to B&C creditors. The dispute arose over B&C's 1987 takeover of Mercantile House Holdings which relied on an agreement that Quadrex would then bny Mercantile's wholesale hroking division.

However, after the hld. Qnadrex did not have the money to make the purchase. which led to B&C making a damages claim for hreach of BZW said yesterday that the

story was "nothing more than speculation" and said that it knew nothing about it.

Legal action | Flotations set to raise record amount

By Paul Taylor

MORE than £2hn was raised through flotations in the first three quarters of the year and the full year total looks set to exceed the £2.6bn record set in 1987, according to figures released today by KPMG Peat Marwick, the accountants.

Commenting on the figures, which exclude privatisations and other issues raising more than £ibn, Mr Neil Austin, head of new issues at KPMG. said: "the amount of funds being raised on the markets is very encouraging for an economy not fully clear of reces-

In the third quarter 35 new entrants came to market, despite the impact of the summer holidays, compared with 20 in the same period last year and 28 in the 1991 third quar-

boosted the total for the first three quarters this year to 93 companies, back up to the levels seen in 1989 and 1990. Last year 52 companies came to market in the first nine months.

However, the Unlisted Securities Market, which the stock exchange is thinking of closing, only had one company join it in the third quarter, bringing the total for the year to date to just three. The KPMC report suggests,

therefore, that the number of companies joining the market as a whole will not recover to the levels enjoyed in the mid to late-1980s, when substantial numbers of companies were joining the USM.

Mr Austin says he remains concerned about the needs of smaller growing companies. which he does not believe are

The third quarter numbers being catered for by the Official List.

"The average capitalisation of companies coming to market remains low, with some companies joining the market with capitalisations as low as £10m." said Mr Austin.

"Past experience shows that smaller companies can have many problems with the stock market when the boom is over, including lack of marketability of their shares and difficulty raising capital at a sensible price.

As a result he argues that there is still a pressing need for an alternative market for smaller companies, one better suited to their needs and capi-

KPMG's research shows that smaller companies join the market with the expectation that their shares will be marketable and provide them with

funds for expansion, but are very often disappointed with the actual outcome."

Mr Austin also sounds a note of caution about the number of companies joining the market at present, arguing that there appears to be "an element of opportunism."

He said a number of companies are floating for the traditional reasons, either private companies wishing to raise capital for expansion, or management buy-outs and institutionally-hacked companies seeking an exit.

"There are however a number of opportunistic flotations seeking to capitalise on the current high prices being paid hy the market, he added. "A number of auch companies may find that they cannot fulfil their amhitions when the markets turn again, and such companies fall out of favour.

London &

merger

St Lawrence

making an agreed offer for its:

fellow investment trust, Prac-

EDP puzzled over share price rise

SHARES in Electronic Data Processing, the Sheffield-based computer software and services group, rose 15 per cent last week from 560p to 648p. puzzling the group and its hro-kers, Henry Cooke Lumsden, who were at a loss to explain the sudden movement.

EDP has been a solid but unspectacular performer in recent years, Mr James Warhurst, electronics analyst with

Albert E Sharp, said his com-pany had been buying EDP stock aggressively on behalf of institutional clients. The sharp price rise was a consequence of a short market.

Mr Warhurst said he helieved the prospects for EDP were excellent. Its new product, UniVision, an advanced database management system using object-oriented technology, was set to do well. A contract with NCR, the computer company which is

now part of AT&T, was close to heing signed, which would yield substantial annual

EDP's pre-tax profits slipped to £2.34m from £2.41m on revenues of £7.35m (£7.47m).

The company has spent heavily in recent years on moving away from low margin hardware distribution towards software and services and has invested some £2.5m in the UniVision product.

shares will be met in full.

GARTMORE VALUE Invest-

ments: Offer made by Greig Middleton on behalf of Gart-

ordinary and zero dividend

preference shares of Gartmore

Value Investments has become

unconditional in all respects.

GSET has 75 per cent of the

LOWE (ROBERT H) is selling

its lossmaking childrens wear

division to Delta Textiles (Lon-

don), a subsidiary of Delta

Galil Industries of Israel, by

way of the sale of the issued

share capital and repayment of

group indehtedness. Ahout

£4.2m will be repaid, of which

£500,000 will be deferred. Esti-

mated book value of the divi-

sion's assets are £5.7m. Lowe

will use the proceeds to reduce

GVI ordinary.

borrowings.

AVON RUBBER has acquired a 65 per cent stake in a rubber components manufacturer hased in the Czech Republic for £2.25m in cash. The joint venture company, Avon-Ruhena is located in Rudnik, eastern Bohemia, and the factory ment. The halance has been employs about 400 people. conditionally placed by Baring GRAYSTONE has sold all the Brothers. issued share capital of GA Stadler, the processor and distributor of natural sausage casings based in Cleveland, to GA Stadler & Co (1993), controlled

£160,000 is in cash on comple-CATHAY INTERNATIONAL Holdings: Valid acceptances for the open offer have been received in respect of 2.15m the zero dividend preference

hy Mr Alan Talbot, Mr Michael

Talbot and Ms Joan Talbot, all

"related parties". Consider-

ation will be £274,000, of which

NEWS IN BRIEF new ordinary shares, about 14.2 per cent of the new ordi-nary to which qualifying shareholders, other than Cathay International Investment, were more Shared Equity Trust for entitled. CCI has applied to take up 1m of its 33.7m entitle-

GARTMORE SHARED Equity Trust has received applications under its offer for subscription for 29.2m geared ordinary income shares at 100p each and for 18.8m zero dividend preference shares at 103p each, totalling £48.6m. As applications for the geared ordinary income shares exceeded the 26m available, applications up to 6,000 will be met in full and applicants above that will receive 43.5 per cent. Applications for

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Subordinated Floating

Rate Notes Due 2011

(Redeemable at the option of the Noteholders in 1996 and 2006)

In accordance with the

provisions of the Notes, notice is hereby given that the rate of interest for the

six months 25th October.

1993 to 25th April, 1994 has been fixed at 3.50%.

The interest payable on

the relevant interest pay-

ment date, 25th April 1994,

will be US\$4,423.61 per

West Merchant Bank Limited

Agent Bank

US\$250,000 Note.

000,000,0012

Floating rate notes due 1998

(Issued by Anglia Building Society)

Notice is hereby given that the notes will hear interest at 5.875% per annum from 21 October 1993 to 21 January 1994. Interest payable on 21 January 1991 will omount to 574.04 per 55.000 note and

\$3,702.05 per \$250,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Natioowide Building Society

licence fees: In the first half of the year,

LONDON & St Lawren Investment Company is

tical Investment Company, creating a trust with assets of about £58m. London is offering shares based on the relative formula asset values, It already holds 27.4 per cent and has irrevocable acceptances for a further

54.4 per cent. Both trusts have similar investment policies and have been closely associated since 1957. In 1990 London voted to continue until at least the 1993 annual meeting and in accordance with its articles al motion is to be put to the next annual meeting to put Practical into voluntary liqui-

dation. London also reported that its net asset value per share at against 124.82p a year earlier. Net revenue for the 12 months to the end of Augustwas £836,600 (£827,000). Earnings per share were 4.39p

An interim divideod of 3.64p has been declared, against last year's single final payment of 3.36p, with an unchanged special dividend of 0.48p.

This notice is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange") and appears as a matter of record only. It does not constitute an invitation to subscribe or purchase any securities. Application has been now being issued to be admitted to the Official List.

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Issued and being inved

Amount \$5,000,000 £550,000

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London ECIM SNH Birmingham B6 7AX and during normal business hours on 25th and 26th October, 1993 for collection only from the Company Announcements Office, London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, Off Bartholomew Lane, London EC2.

The Intermediaries Offer referred to above closed at 10.00 a.m. on 22nd October, 1993. 25th OCTOBER, 1998

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3i GROUP PLC

FOR THE THREE MONTH PERIOD

SIST OCTOBER, 1993 TO SIST JANUARY, 1994 In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 5 1/2 per ceot. per amoun and that the interest payable on

the relevant interest payment date.
21st January, 1994 against Coupon No. 37 will
be £740.41 from Notes of £50,000 nominal and £74.04 from Notes of £5,000 nominal.

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Notice is hereby given that the Rate of Interest has been fixed at 3.625% and that the interest payable on the relevant Interest Payment Date April 25, 1994, against Coupan No. 17 in respect of US\$10.000 nominal of the Notes will be US\$18.326 and in respect of US\$250,000 nominal of the Notes will be US\$4,581.60.

October 25, 1993, London
By: Citibonik, N.A. (Issuer Services), Agent Bonk CITIBANC

a Nationwide

NICS, EUROPE & INCOME FUND 10A, Boulevard Royal - Luxembourg

NOTICE OF DIVIDEND PAYMENT The General Meeting of Shareholders of NICS, EUROPE & INCOME FUND has decided to pay a dividend of USD 0.40 per share for the linaurial year ending 30th lane, 1993, to each share beld on the 21-t Oxtober, 1993, the shares being quoted ex-dividend on 22nd October, 1993.

This payment will be made on and after the 28th October, 1993 against delivery of coupon No. 6 to Banque Paribas Luxemburg, 10A, Boulevard Royal Luxembourg, Dividend chaques will be sent to registered shareholders.

Oividends not classical within 5 years of the precited date will tapse and revert to the Fund. Luxerabourg, 20th October, 1993 NICS, EUROPE & INCOME FUND

U.S. \$400,000,000 National Westminster Bank

Floating Rate Capital Notes 2005

In accordance with the provisions of the Notes, notice is hereby given that for the six months interest Penod from October 25, 1993 to April 25, 1994 the Notes will carry an Interest Rate of 3.4375% for annum. The interest region of the Notes will carry an Interest Rate of 3.4375% for annum. The interest region of the Notes will be used to the Notes will be used to the Notes annum. The interest region of the Notes will be used to the Notes annum to the Notes annum

By: The Chase Manhattan Bonk, N.A. London, Agent Bank October 25, 1993

CHEMICAL BANKING CORPORATION US\$106,000,000 SUBORDINATED FLOATING RATE NOTES DUE 2003 no the relevant interest payment date 22 April 1004 will be 155278 0d per US\$ 10,000 note and US\$2740 86 per

M. CHENECAL

COMPANY NOTICES

LEURI INTERNACIONAL INVESTMENTS ILV. US 500 000 000 GRANNIED RUSTING HATE NOTES 1999 (Example) at the Holders Option to 2001) The interest rate applicable to the above Notes in restrict of the interest puriod observancing 25th October 1993 has been fixed at 34th Dar Arman. The interest consuming to US 995, 63 per US 95, 600 published amount of US 515, 255 per US 95, 600 published amount of US 515, 255 per US 95, 600 published amount of US 515, 255 per US 95, 600 per US 95,

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mathement arrangements for English and The Training Primary primar Perchange of the probability of price to the price 18.00 18.00 25.00 25.00 25.00 25.00 25.00 25.00 25.00 25.00 25.00 26.00

NOTICE OF REDEMPTION

MORTGAGE SECURITIES (NO.3) PLC £117,000,000 Multi-Class Mortgage Backed Floating Rate Notes due 2035

Notire is hereby given that, pursonnt to Goodition 5(c) of the states, the Issuer shall reducen:

26.923.00 per Glass A1 Note

20.00 per Glass A2 Note

20.00 per Glass A3 Note on the next Interest Payment Date, being October 29, 1993. MORTCAGE SECURITIES (NO.3) PLC Dated: Ontober 25, 1993

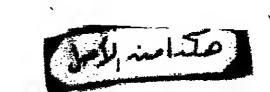
> THE REPUBLIC OF ARGENTINA NEW MONEY BOND DUE 1998

Notice is hereby given for the interest period beginning on October 25th 1993, and ending on April 25th 1994. The Bond will carry an interest rate of 4.25% per annum. Banco Central de la Republica Argentina Republic of Argentina Financial Agent.



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By Philip Gawith

GENCOR, South Africa's second-largest mining house, increased attributable income by 12 per cent, to R1.41bn (\$420m) from R1.26bn, in the year to August. This is the last set of results the company will publish before before unbundling its industrial investments next month.

The results were boosted by one-off benefits from tax adjustments and the sale of investments. Underlying operating income, excluding these effects, fell by 6.3 per cent to R1.09bn, or by 13.1 per cent to 79.5 cents per share. The dividend was maintained at 45 cents per share.

Mr Brian Gilbertson, chairman, said although the decline was disappointing, it reflected "a sound operating psrformance in the circumstances". Prices fell in most of the export markets in which the group operates, and the domestic operating environment was also difficult.

The unbundling, which takes effect on November 5, will see Gencor's net assets shrink by about a third to R12bn from R18.6bn. The new group will have no net debt, and cash and other liquid assets of R2.3bn. After distributing to sharehold-



Brian Gilbertson: sound performance given conditions

ers its stake in industrial groups Sappi, Engen and Mal-bold, and investment arm Genbel, the rump Gencor will be a mining and minerals group with investments primarily in gold, platinum, coal, ferrometals and stainless steel, and

The priority for Gencor at the moment is trying to con-clude the purchase of Billiton, the mining and metals arm of the Royai Dutch/Snell group. Talks have been under way for nearly six months. No figures have been announced, but the deal could be worth as much as

Mr Gilbertson said the deal

Unilever closer to **Bertolli** acquisition that the chances of success

By Robert Graham in Rome

the pre-emption rights that UNILEVER, the Anglo-Dutch gronp, has reached an advanced stage in negotiations to huy Bertolli, the edible oils side of the Italian foodstnffs group Cirlo-Bertolli-De Rica (Cbd)

This follows the privatisation two weeks ago of Cbd, controlled 62 per cent by SME, the state-run agri-husiness group. The stake was bought for L307bn (\$190.5m) by Fisvi, an agri-industrial bolding

company with extensive interests in southern Italy.

Fisvi is pressing ahead with the sale of the well-known Bertolli brands to help fund its purchase of Cbd. According to trades unions monitoring the negotiations, Unilever is likely to be asked to pay about

L150bn This would give the Anglo-Dutch multinational access to a further 9 per cent of the Incretive Italian olive of market. Through Italian subsidiaries, Unilever already has some 15 per cent of the mar-

Unilever's bid for the whols of Cbd was turned down two months ago as being too low. IRI, the state bolding company which owns SME, also felt the offer did not contain sufficient guarantees about the future of Cbd's operations in southern

Italy. IRI, thus, was prepared to let Fisvi win on a revised bid despite the holding having a mere L53bn in capital. Fisvi is 60 per cent-owned by co-operatives in the Basilicata region; 20 per cent by state-controlled financial institutions, incloding Banco di Napoli with 10 per cent; and the remainder split between private sharebolders dominated by the Tanzi family, owners of the

Parmalat dairy group.
Fisvi is in the process of raising a further L200bn in capital. However it will also have to find another L190bn to huy Cbd's ontstanding non-SME-beld abares as it is ohliged by law. This, coupled with some L60bn needed for investments, will hring ths total of Fisvi's Cbd purchase

Sweden to merge forestry interests exclude further limited privati- and guaranteeing employment

By Christopher Brown-Humes in Stockholm

THE SWEDISH government has announced plans to merge its interests in three stateowned forestry groups to create one of Europe's 10 largest pulp and paper companies.

The move will assist the government's privatisation ambitions and lead to the new company being quoted on tha Stockholm Stock Exchange next spring.

The companies being merged

are Assi and Doman, both 100 per cent state-owned, and NCB, a quoted company in which the state holds 51 per cent. Assi and Doman will combine at the year end before making an allshare bid worth SKr1.1bn

(\$137m) for NCB next March. Although the state will own 95 per cent of the combined group after the bid, it plans to reduce its holding to 85 per cent by selling a 10 per cent stake to Swedish institutions. Mr Per Westerberg, Sweden's industry minister, does not

sation, although the aim is to keep the company majority state-owned.

The new group will have annual sales of SKr15bn, making it nearly as hig as MoDo. Sweden's third-largest forestry group. It will have 13,000 employees, 5,000 of them in eight European countries outside Sweden.

Mr Westerberg said the aim was to create a financially strong company, capable of expanding further in Europe

in Sweden.

The group's equity-to-asset ratio will be 53 per cent and profits after financial items are estimated at SKr700m in

It will be Sweden's largest forest owner, with 3.2m hectares of productive forest land, and its largest producer of sawn timber products. It will also be one of Europe's largest producers of corrugated board. Synergy gains will amount to more than SKr100m.

Profits at

Imperial

Oil surge

to C\$84m

Bank seeks to avert bail-out with SKr3bn cash call plan

By Christopher Brown-Humes

FORENINGSBANKEN, ths Swedish co-operative bank, has announced plans to raise nearly SKr3bn (\$373m) in new equity in a bld to remain privately-owned.

The move will be supported by a SKr2.5bn government guarantee to ensure the bank continues to meet international capital adequacy requirements. The guarantee can be used if the bank's credit losses prove larger than expected over the next three years. However, if fully utilised, they would leave the state as the bank's majority owner. Föreningsbanken says it will

issue shares to members and institutions and convert perpetual debenture loans to equity to raise its capital adequacy ratio above 9 per cent. A consortium centred on the LRF, the Swedish farmers cooperative, will guarantee SKr25bn of the issue, while institutions will be offered

shares worth SKr400m. The bank will also seek a listing on the Swedish stock exchange. Valmet, the Finnish paper machinery and engineering group, saw losses after financial items shrink to FM44m (\$7.6m) in the first eight months from FM213m in the same 1992 period.

The group attributed ths

and the weaker Finnish markka. Sales rose 40 per cent to FM7.07bn from FM5.03bn and new orders were FM1bn higher at FM7.3bn.

estry group, has raised FM1.3bn from the sale of 15m shares in Repola, the country's biggest industrial group, to international investors. It retains a stake of 16.6m Repola shares, equal to 11.1 per cent of its capital.

The disposal will give Metsä-Serla a FM290m capital gain, reduce its net gearing to 89 per cent, and increase its equity-toseets ratio to nearly 40 per

By Robert Gibbens in Montreal LOWER crude prices and wider • Metsä-Serla, the Finnish fordownstream margins enabled Imperial Oil, Canada's biggest integrated oil company, to post

a 83 per cent jump in third quarter profit and a 56 per cent gain in the first nine months. The quarter showed earnings of C\$84m (US\$62.6m), or 43 cents a share, up from C\$46m, or 23 cents, a year earlier;

Included are restructuring charges of C\$8m, against C\$63m. Revenues dipped 5 per cent to C\$2.24bn. Nine-month profit was C\$225m, or C\$1.16 a share, up

from C\$144m, or 74 cents, on revenues of C\$6.7bn, down 1 per cent. Resource profits declined because lower oil prices and

volumes more than offset higher natural gas prices and heavy oil output. Chemicals Analysts expect Imperial, which is 70 per cent-owned by

Exxon, to report lower fourthquarter downstream profits and higher resource earnings. while chemicals will break even. Full 1992-1993 net profit is estimated at about C\$1.87 a

 Suncor, another integrated group, reported a nine-month profit of C\$52m, or 96 cents a share, against a loss of C\$237m, or C\$4.37 cents, including a C\$238m restructuring charge.

Rhône-Poulenc warns of drop

By John Ridding in Paris

RHONE-POULENC, the French chemicals and pharmaceuticals group due to be privatised within the next few weeks, yesterday forecast that net profits would show a decline of about 30 per cent in the first nine months of the year, compared with the FFr1.11bn (\$189.7m) reported in the same period in

The group said full-year net profits were likely to be down by about the same proportion on 1992 net profits of

The company blamed the decline on what it described as the "extremely poor economic climate affecting the chemicals and fibres market", which continued to depress volumes and prices. However, it said prices for several products had now

The agri-chemicals division also contributed to the decline in profits for the first nine months, as depressed demand arising from the European common agricultural policy and weakness in some geo graphical markets took their toll.

aiter the first half. Sales of specialty chemicals

poor economic environment. ouring the period, compared

On the hright side, its bealthcare operations continued to show a strong increase over the same period in 1992, despite an expected slowdown

also continued to resist the Overall group sales declined by an estimated 4 per cent

with the FFr61.95bn reported in the first three quarters of

> Operating income declined by about 18 per cent to some FFr4.6bn. Rhone Poulenc said It had decided to release estimates of its results in the first nine months because of the impend-

ing privatisation. Currently, the company and the French government are in the process of forming a group stable long-term shareholders, which will hold about 25 per cent of the shares following the sale of the govern-

was "by no means done", but

were better than 50:50. The two

main issues to be resolved are

the financing of the deal and

attach to many of the assets,

"plum" assets were stripped

from Billiton, Gencor wouldn't

be a purchaser and Shell would

find it difficult to make a sala

However, be added that "sub-

stantial progress" had been

made in resolving the pre-emp-

"There will be a degree of

pre-emption, but in my judg-

ment we will be able to live with it," he said.

parties will take up some of their rights". Finality should be achieved by the end of the

Mr Gilbertson said if the new

unbundled Gencor structure

had been in place in 1993, it

would have achieved underly-

ing operating earnings of 37.5 cents per share. He said he

would be disappointed if these

were not exceeded in the com-

in the light of 1994 cash earn-

ings, which will be "signifi-

cantly lower" than the 1998

equivalent of 35.6 cents per

The dividend will be decided

He said this meant "some

tion issue.

Mr Gilbertson said if all the

especially the better ones.

ment's 43 per cent stake. On Friday, Flat, the Italian industrial group said it was planning to form part of the core shareholder

RECESSION in Europe has

bitten deep into the activities of NCM Holdings, the Dutchcontrolled export credit insurance group, according to interim figures, writes David Dodwell.

Dutch insurer

suffers as

claims soar

As claims soared by 56 per cent during the first nine months of this year, from Pl 189.9hn to Fl 310.7bn (\$164bn), premium income rose by a modest 5 per cent, from FL 415.8bn to Fl 437.7bn.

This boosted the company's "claims ratio" from 42 per cent of premium income in 1992 to 69 per cent in the first nine months of this year.

Nedlloyd examines drilling unit spin-off publish specific turnover or

By Ronald van de Krol

NEDLLOYD, the Dutch transport group, is to examine spinning off its profitable off. shore drilling subsidiary. The move marks a new phase in the loss-making company's

divestment programme. Among the possibilities are merging the drilling division with another company, putting it into a joint venture, or seeking a listing for it on an international stock exchange.

The division, called Neddrill. rents out rigs used to drill for oil and gas at sea and on land. Although Nedlloyd does not

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Notice of Redemption

Auto Funding PLC

Class A Floating Rate Notes due 1996

due 1996
NOTICE IS HEREBY GIVEN to
the holders of the Class A Floading
Raze Notes due 1996 (the "Class A
Notes") of Auto Funding PLC (the
"Issuer") pursonnt to the Trust
Deed dated 29th November, 1991
(as amended) between the Issuer
and The Law Debenture Trust
Composition p.1 c. as Trustee, and

and The Law Debenture Truss Corporation p.l.e., as Trustee, and the Agent Bank Agreement dated 29th November, 1991 between the Issuer and Union Bank of Switzerland (the "Agent Bank") and others that the Issuer has determined, in accordance with the Redemption provisions set out in Redemption provisions set out in

mileo, in accordance with the Redemption provisions set out in the Terms and Conditions of the Class A Notes, that Available Redemption Funds (as defined in the Terms and Conditions) in an amour of £6,000,000 exist and

amourt of £6,000,000 exist and will be utilised on 29th October, 1993 (the "Redemption Date") to redeem (at their principal amount) an equivalent amount of Class A Notes. The Class A Notes to be redeemed have been selected in accordance with the rules and procedures of Europiest and CEDEL.

AUTO FUNDING PLC

profit figures for its drilling activities, its 1992 annual report said the drilling subsidiary posted a substantial ase in turnover and a clear improvement in operating results. In recent years, Nedlloyd has

divested a range of businesses, including its energy and air freight activities, as part of efforts to concentrate on two core businesses The pace and scale of these

divestments was the main point of contention between Nedlloyd and Mr Torstein Hagen, the Norwegian inves-

FX and GOLD CAL Futures Ltd

Accor reports first-half results

Accor, the Paris-based internacional hospitality group, announced that its activities in the first half of 1993 resisted well to the untavorable economic environment, except for midrange and upscale (three- and four- star) herels in Europe, and particularly to France where the secror suffers from overcapacity. Service vouchers and international institutional catering activities recorded sustained growth. In the first six months of the year, total revenues amounted to FF 14.4 billion (\$ 2.5 billion'), down 3.6% from FF 15.0 billion io the comparable 1992 period. Excluding currency devaluations (particularly of the Italian lira. Spanish peseta and British pound), toral revenues would have remained stable in the first half of the year.

Activities not included in total reveoues - i.e. the Europear car rental, the Motel 6 and Formule 1 budget hotel chains, and the Eurest France domestic institutional cateriog operations -- recorded sales of FF 4.8 billion (\$ 0.8 billion) in the first half of 1993, up from FF 4.5 billion in the first half of 1992.

Income before non-recurring items and income taxes amounted to FF 505 million (\$ 88 million), up from FF 420 million in the 1992 first balf. This figure iocludes FF 443 million (\$ 77 million) from capital gains on sales of non-strategic assets, which are now comprised in recurring income, as well as from rransfers of activities into newly established parmerships. Consolidated ne: income, Group share totalled FF 109 million (\$ 19 million), as compared to FF 137 million in the first half of 1992.

Cash flow from operations rose from PF 983 million in the first half of 1992 to FF 1,093 million (\$ 190 million) in the first six months of 1993. Cash flow exceeds capital expenditures for the period by FF 205 million.

As part of the Group's efforts aimed at reducing debt levels and strengthening its equity base, sales of assets continued in the first half of the year, amounting to FF 607 million (\$ 106 million), as compared to FF 1,349 million for 1992 as a whole. In addition, in August 1993, sales of Accor treasury shares held by Compagnie des Wagons-Litz raised the Group's equity base by nearly FF 800 million.

* At the June 30, 1993 exchange rate of US\$ 1 - FF 5.7515

For further information contact Investor Relations Department: (33) 1 45 38 86 00

Full year (in millions of) 1993 1993 1992 1992 USS FF FF** FF 2,513 14.453 14,998 30,569 Total revenues Income before non-recurring items and income taxes 505 Ner income before non-recurring items 178 202 870 31 Consolidated net 109 137 802 Cash flow from operations 190 1,093 983 2,739 Restated to reflect monetary correction of Brazilian data and reallocation of other operating revenues

Includes FF 220 million in uon-recurring income,

Reflecting the seasonality of certain of the Group's businesses, net income in the second half of the year is expected to be significantly higher than in the first balf. Consolidated net income, Group share for 1993 as a whole should be comprised between FF 550 million and

For 1994, as a result of emerging market trends as well as the Group's efforts to innovate and reorganize its activities, service vouchers, institutional catering, budget hotels (Formule 1 and Motel 6) and Europear should record improved performances.

cycle might have bomested our after a several-year decline, and a progressive recovery might be expected for 1994 In public restaurants, railways services and travel agencies, whose performances so far in 1993

In midrange and apscale hotels, the business

were in line with the 1992 levels, stable results or a slight rebound are expected in 1994. Taking into account lower interest rates and the Group's declining debt levels, Accor's profits for 1994 should increase regardless of any potential improvement in the general economic

Accor coomon shares, traded on the Paris Stock Exchange, may be accessed on the Reuters Equities 2000 service under ACCP.PA and



Texas Commerce Bancshares, Inc.

U.S. \$150,000,000 Floating Rate Senior Notes due 1997

NOTICE IS HEREBY GIVEN THAT, pursuant to the provisions of the Fiscal Agency Agreement dated as of 26th November, 1985 (the "Fiscal Agency Agreement"), between Texas Commerce Bancshares, Inc. (the "Company") and Bankers Trust Company, as Fiscal Agent, and in accordance with Clause 7(a) of the Texas and Conditions of the Notes, the Company will redeem all of the ourstanding Notes at a redemption price of 100% of the principal amount on the next interest payment date being 30th November, 1993, after which date, interest on the Notes will cease to accrue. Subject to the receipt of required funds by the Fiscal Agent, repayment of principal will be made upon presentation of the Notes with all unmarured coupons areached, at the offices of any one of the Paying Agents listed below:

Banken Trust Company 1 Appold Street Broadgate London EC2A 2HE

anque Internationale à Luxembourg 69 Route d'Esch

Swiss Bank Corporation Switzerland

Braque Indosee: Belgages S.A. Place Sainte-Gudule 14 1000 Brussels Belgium Accrued interest due 30th November, 1993 will be paid in the normal manner against presentation of Coupon No. 32, on or after 30th

Bankers Trust Company, London 25th October, 1993

Agent Bank



Sedgwick Group plc £41,500,000

71/2 Convertible Bonds 2008

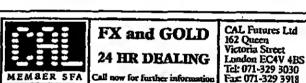
Convertible into ordinary shares in Sedgwick Group pic Notice is hereby given to all holders of bearer Bonds that Sedgwick Group pic has sent to its shareholders and, for information only, holders of registored Bonds a circular dated 25 October, 1993 in relation to the colling of un Extraordinary General Meeting to be held on Thursday 18 November, 1995 for the purpose of considering resolutions to cancel the share promium account and increase the authorised share capital of Sedgwick Group pic.

Holders of bearer Bonds may obtain copies of the said circular from the offices of the paying agents at the following addresses; The Chase Manhattan Bank, N.A. Chase Manhattan Bank Woolgate House Column Street Luxembourg, S.A. 5 rue Pisetis L-2338 Lovembourg Grund

London EC2P 2HD Sedgwick Group plc 25 October, 1993

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The relevant interest payment date will be January II, 1894.



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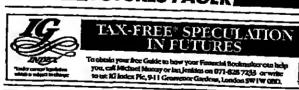
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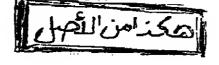
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INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Credit rating review clouds Turkey's prospects

THE REPUBLIC of Turkey returned rapidly to the international bond market last week despite the decision by Moody's, the international rating agency, to place the country's long-term credit rating under review for possible down-

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Last Monday, Turkey raised DM1bn through an offering of five-year Eurobonds, following on the heels of a £100m 10-year Eurobond issue the previous week. This week, Turkey could launch a seven-year Y50bn issua in the Samurai market, the domestic Japanese bond market

for foreign borrowers. Moody's announcement, on October 8, could not have come at a worse time for Turkey since it has been relying more on the interna-tional bond market to fund its growing public sector borrowing requirement (PSBR).

close off a whole range of institutional investors who might otherwise take on Turkish risk.

Because of the shallow state of its domestic capital market, there is real worry that Turkey could find difficulty financing its balance of payments if its ability to tap international markets is impaired.

There already appears to be a growing reluctance among foreign banks to take on new Turkish risk. They are concerned at the failure to bring down the budget deficit and the current account deficit. The current account deficit is expected to exceed \$5bn by the end of 1993 compared with a deficit of just under

\$1bn last year. On both foreign and domestic bor-

If Moody's does lower Turkey's credit rating from investment to sub-investment grade, this would in order to reduce its servicing costs, which account for more than 20 per cent of recurrent budget expenditures.

However, Turkey's foreign debt measured in absolute terms - as opposed to the effects of currency fluctuations – is rising. At the end of June, total public and private debt stood at \$59bn, up from \$54.7bn at the end of 1992.

Much of the increase relates to short-term borrowing as private Turkish banks seek to fund their Turkish lira loan book with cheaper offshore finance. Foreign government debt, however, has also expanded. Before the latest spate of bond issues, Turkey's new foreign bor-rowings in 1993 totalled \$2.3bn, the largest issue being a Y100bn Samu-

The attractions of the Samurai 16 per cent of GNP this year. market have seen a rise in the yen portion of Turkey's debt, to 18.6 per cent from 13.6 per cent in 1990. Given the yen's recent appreciation, this will also have added to Tur-

key's problems.

The success of Turkey's foray into the international bond market has always depended on improvements in the fiscal picture. After the latest wave of economic statistics, it ramains to be seen how long Turkey can sustain this strategy.

For 1994, the government envisages a budget delicit of TL192,000bn (\$14.7bn). Taken with the projected transfers to loss-making state enterprises, the government forecasts a PSBR of 14 per cent of GNP compared with a 1993 target of around 9 per cent. However, PSBR is now officially expected to reach

Syndicate managers involved in Turkey's recent Eurobond issues have played down the impact of Moody's announcement, noting that Standard & Poor's, the other leading rating agency, re-affirmed Turkey'e triple B rating on

October 14. They believe that any downgrad-ing has already been discounted by the market, and that in any case, it is not a foregone conclusion that it will happen. In addition, current demand from investors for high-yielding paper has meant that the spread - the margin over the yield on government paper - on both issues has only widened by a small

> Antonia Sharpe and John Murray Brown

> > Book runner

RISK AND REWARD

New instrument blends bond and futures fund



THE performanca of year, at a time when attractive returns are increasingly hard to come by has aroused fresh interest in the sector. However, many investors are still afraid to take the

Although futures funds have had a good run this year - in the first eight months the average total return was 17.45 per cent, according to the TASS Management index. which tracks their movements -their performance is highly volatile. In bad times, investors can see large portions of their investments wiped out rapidly.

One solution has been to structure guaranteed funds – the bulk of the fund is used to buy zero-coupon bonds, with a much smaller portion allocated for trading. One criticism of these funds is that they are nelther flesh nor fowl: the investor may be protected from the potential losses associated with futures funds, but the small size of the investment in futures will also limit potential gains.

However, another option is available. On Friday, Citibank launched a hybrid instrument which is part futures fund, part bond. The structure is designed to attract investors, particularly bond investors, who would not feel comfortable with buying futures funds outright.

The Ecu50m offering, called Fleetwings, is structured as a 10year Eurobond, and will be rated triple-A by Standard & Poor's, the ratings agency. For bond investors, this provides a high level of comfort. It also means that some institutions which would not be allowed to invest in futures funds can buy the triple-A rated bonds.

The concept is similar to a guaranteed fund: 80 per cent of the proceeds of the offering is used to buy bonds issued by the Nordic Investment Bank, while the remaining 20 per cent will be invested in a managed futures trading programme operated by Waldner Financial, a futures specialist. Waldner was chosen because of its long audited track record, and also because it focuses on the currency and interest-rate sectors, with which bond *

strong investors are more comfortable. The NIB bonds act as collateral futures funds this . and also provide a minimum level of interest for holders of the Fleetw-ings bonds. The minimum interest starts at 61/2 per cent in the first year, but by year five has dropped to 1½ per cent before falling to 1 per cent in years nine and 10.

The coupon declines because the expectation is that the performance of the managed futures portion increases over time. On a historical basis, the return on this deal would be an annualised 13.1 per cent, according to Citibank, with gains concentrated in the latter years of

the bonds' life.
Every quarter, half the trading gains are set aside and the other half reinvested, to preserve some of the gains made in the trading account. Nevertheless, the relatively tong life of the issue gives a sufficient time frame to substantially enhance the return.

So what is the downside for investors? If only the minimum interest rate is paid, the investor will receive en average annual interest of around 3 per cent. In this case, investors would have done much better by buying plain vanilla bonds, since that is just half tha current yield on 10-year Ecu bonds with triple-A ratings.

However, according to a Citibank simulation, there is more that an 80 per cent probability of receiving a return of more than 10 per cent. This probability is simulated by taking the historical data points, and then assuming the pattern may not be replicated, so scrambling them.

A handful of similar deals have already been launched. For example, in 1991 Waldner was involved in an Ecul00m deal, the proceeds of which were partly invested in Swiss Bank Corporation bonds and partly managed by Waldner. The decline in interest rates in the last few years may encourage more inves-tors to depart from their traditional approach.

Fleetwings is aimed at institutional investors and high net worth individuals: the minimum investment is Ecu10,000. Similar deals in other currencies could be launched. According to Citibank, most of the buyers of the issue had not previously bought futures funds.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch apread bp	Book runner
US DOLLARS							
Henderson Capital(s)§	420	1996	(a)#	100			Morgan Stanley/Wardley
Toho Zinc Co.(b)(4)	120	Oct.1997	0.75	100			Nikko Europe
SCICI(e,g)§	100	Apr.2004	3.50	100		_	Barclays de Zoete Wedd
Dresdner Bank	200	Nov.2008	8.00	99.875R	6.013	±78 (53494_000	Dresdner/ Lahman Bros.
Banco Bamerindus, Gd. Cay.	100	Oct.1998	9.00#	98.433R	B 400	. 400 WHILE OU	West Merchant Bank
Perez Compano	100	Oct.1996	7.25#	99.973R	7 260	1935 143464 00	Chase kwiment Bank
Banca Commerciale Italiana(it:	100	Nov.2005	0	99.90R	7.200	TO23 (17870-30)	Lehman Brothers Inti.
HKR Internationalids	100	Oct.2000	4.75	100			Morgan Stanley Intl.
Banco do Nordeste do Brasil	75	Nov.1996	9.00#	1008	0 000	. 400 (4340) DE	CS First Boston
NEC do Brasil	60	Oct. 1998	9.25#	100R			Beer Steams Intl.
National Bank of Hungaryth	50	Jun. 1998	8.00	102.97			Bear Secarns Inc. Bankers Trust Inti.
General Electric Cept.Corp.#	50	Nov. 1998	(m)#	100R	7, 199	+240 (4-474-68)	CS First Boston
General Electric Capl.Corp.	250	Nov. 1996	4.25	99.86R	4 201	-40 103101 000	
Sevel Argentina	100	Nov. 1996	8.50#	99.784R			Lehman Brothers Asia
CMIC Finance & Securities(r)§	50	Nov.2003	3.50		0.583	+45U [4*6%-U0]	Citibenk International
HSBC Holdingstit	250			100	•		Nomura International
Indah Klat Pulp & Paper Corp.		Nov.2008	(0)	100R			Samuel Montagu
Sen Paolo (Nassau Branchit	175	Nov.2000		99.921R	8,890	+400 (5%%-00)	Morgan Stanley Intl.
Benco de Credito Argentino	150	Nov.2005	(u)	99.90R		*******	Kidder Peabody Intl.
	135	Oct.1998	8.50#	99.88R			Memil Lynch Intl.
Banco del Atlantico	100	Nov. 1998	,,,,,,,	99.655R	7.960	+330 (43/96-98)	JP Morgan Securities
Svenska Handelsbankent	100	Nov. 1995	(v)	100.025R	•	-	Servira International
D-MARKS							
Republic of Turkey	1bn	Oct.1998	7.25	101.55	6.673	- ··· - · ·	DG Bank
Seals No. 3	200	Nov.2003	6.00	101.60	5.786		Memili Lynch Bank
World Benk	3bn	Nov.2003	5.875	99.808R	5.901	+6 (6%-03)	Deutsche/Salomon Bros.
Deutsche Hypothekanbank	500	Nov.2003	8.125	99.575R	6.183	+33 (6%-03)	Dresdner Bank
Credit Sulsse, London Ect.(o)	600	Nov.2003	6.25	102.40	5.925	100 (212 22)	CSFB-Effectenbank
STERLING							
Peupeot Talbot Motor Co.(p)	50 .	Dec.1997	7.625	102,575R	6 979	. On 104/04 07A	NetWest Capital Markets
Société Générale(w)	100	undated	7.875	99.863R		+100 (8%-03)	
cockia denerala/w)	IUQ	Undated	1.015	98.8035	1,090	+100 (076-03)	Hoale Gover
YEN							
Telebras(h)	20bn	Oct.1996	7.20	100R		•	Nomura International
CCCI(h)	12bn	Nov, 1998	3.75	101.60	-	:	Nomera International
Yoshida Kogyo KK(h)	10bn	Nov, 1999	3.90	101,625		-	BJ International
Crédit Commercial de Fr.(a)	10bn	Feb. 1999	3.55	101,80	•		Full Intl. Finance
Lavoro Bank Overseas(g);	25bn	Feb. 1999	(a1)	100.185F	-		Mentil Lynch Intl.
FRENCH FRANCS							
Crédit Local de France	7bh	Nov.2001	6.00	99.94R	6.010	+21 89/5%-011	CLyonnels/ JP Morgen
Calsse Autonome de Refin.‡	500	Nov.2003	(9)	1008			Parties Capital Markets
Goldman Sachs O'seas Finance	1.5bn	Nov. 1998	6.00	99.538R	R 110	+65 (914%-98)	
	1bn	Feb.2004		199R	-X 110	ACM (21510-20)	Société Générale
Société Générale Accept.			(X)		-		
Crédit Local de Francet	500	Nov.1998	LY7	99.75F	•	•	Mentil Lynch (France)
CANADIAN DOLLARS							
Kingdom of Sweden	250	Dec.2008	7.00	97,825R	7 242	149 771696-035	Hambros Bank

Sorrower	m.	Maturity	70	PINCE	70	spread bp	
TALIAN LIRE							
Commerzbank O'sees Fin.(r) IP Morgan & Co.	250bn 150bn	Nov.2003 Nov.2003	8.00 8.00	101,80 101,80	7.735 7.735		Banco di Roma JP Morgan
GUILDERS							
SNS Group	350	Nov.1999	8.00	100.10R			van Haften Labouchere
Dutch Inv.Bank Dev.Countries	200 300	Nov.2003 Jan.2009	5.875 6.25	99.60R 99.55R		+15 (61/2%-03)	ABN Armo Bank
ABN Amro Bank	300	JELLEUUS	0.23	Pica,88	0.233	+22 (63656pur)	HEM HIND DRINK
cus							
Council of Europe(s)	100	Nov.2001	6.375	101.57R	8,121	-5 (91/4%-00)	
European Economic Comm.(#2)	475	Nov. 1998	5.50	99,425R	5.635	-12 (714%-98)	BZW/ Swiss Bank Corp
JUSTRALIAN DOLLARS							
reasury Corp. of Victoria	100	Nov.2005	7.125	101.45	6.943	-	Barclays de Zoete Wed
State Bank of South Australia	125	Nov.2000	6.50	101.50	6.229		Semuel Montagu
PESETAS							
nternational Finance Corp.	10bn	Nav.1998	a 10	101.21	7.799	- "	Banesto
SCUDOS							
lepublic of Ireland	15bn	Nov. 1998	8.75	101.40	8.396		BPI .
MISS FRANCS				•			
okden Co.(d)×Φ	150	Oct.1997	0.50	100	•	:	Nomura Bank (Switz.)
howa High Polymer Co.(f)★Φ	100	Nov.1997		100	-		Citibank (Switz.)
elkagaku Corp.fil★§	130	Mer.1998		100		•	Nikko Bank (Switz.)
mail Business Finance	200	Nov.2000	4.125	102.875	3.652	•	Swiss Bank Corp.
NCF	200	Dec.2006	4.125	102.50	3.861	-	Credit Suisse
wedish Export Credit	60	Jan.2006	4.25	102.375	4.012		Swiss Bank Corp.
lesterreich. Draukraftwerke* inel terma and non-callable ursees et	70	Dec.2000	4.125	101.625	3.856		UBS
intersement, SiConiversible, 6With equify, here shares, for 12 months following, O price, Coupon pays 4% in year 1, ords with be redeemed at 107%, Over- Field, 000 + 20 westrants, Exercise price on 25/489, audylect to 140% miles, at 1 celling by Western-annually, Gis- propy, Coupon pays 6-month libor - estrier subject to 150% mile, at per 6% sond-annual in 1st year and 25% one-waster price: Baht214, PX 26.2888 and increased by Me200m with Issue 6 fecod envolus 104200m with Issue	its IPO, et. 43:96 in yearstotment in: YSOB, F. 50:07, Dencort 1et COU Meble on 3 0.2696; reli. 1, Fungkai + (8.65% - Putter price of 10% - 2 x 6 -	n electrical of 5 or 2, 5% in year options 540m. 10: 78.55Y/8Fc. 10: 78.55Y/8Fc. 10: 3Fr50,000 10: 19: 5hort 1 1/3/94 subject 11:3/94 su	5-7% to the r 3 and 6% b) Denorte t) Converte t 60 word et 8 2nd c to 13% rd moderum 8* fing \$150m r, where \$2 globe with oreafter, r)	s IPO price. It is the year it is 10,000 + ; is 10,000 + ; is 10,000 + ; is 10,000 + is 10	Andetory to liceving the warrantist of the prices of the series of the s	Convension 12 too be BPO. If an IPO d I. Exercise price: Y .37 Rgs. Puttable S88, Fix 74,947/5 ic Y8,226, Fix 74. Y6 comi-surusiy. I ix Hu3d.80, Fix 77. Paus 149 days ac 2-yeer twap office 80, subject to 140? Plus 228 days ac wheed by 1,100bp i	mins after IPO of the discount own and court within 3 years 1995. PC 108.15Y/3. d) Deno on 1/4/89 at 113.26Ys. Catalor Fr. Catalor on 8/11/85 at 10 87Y/SFr, Catalor on 3/1/4/8 I leased through Conti Finan 32H/SFS. Callable after 3 yes cated interest, m) Doupon ps r rates for DM, FFr. L. and C. K rate, at par, o) Initial DMAD cruded interest, d) Coupon ps

IKB: Financial Year 1992/93

IKB continues its Successful Course

Presenting its positive results for 1992/93, IKB would like to thank its shareholders, clients and business partners for their cooperation in the past financial year.

Despite the recession, demand for IKB's services related to long-term lending remained strong. We participated in the financing of innovative and cost-efficient investments in western Germany and the new federal states in eastern Germany. Beyond our traditional focus on industry we were able to open up new fields of business activity and we assisted clients in consolidating their positions by making available long-term financing at favourable terms.

Since our risks have not remained unaffected by the overall slowdown, we have built up additional provisions of more than DM 100 million.

From the Bank's Balance Sheet	P:	arent Bank	Consolidated	
	March 31, 1993 in DM million	Change % from year earlier	March 31, 1993 in DM million	
Balance sheet total	36,768	+ 13.6	37,265	
Claims on customers	28,903	+ 9.4	29,149	
of which long-term	27,233	+ 8.5	27,245	
Bonds issued	8,011	+ 6.6	9,025	
Long-term liabilities to banks	14,997	+ L3.4	14,095	
Long-term liabilities to other creditors	6,2t8	- 2.8	5,733	
Capital and reserves	1,468	+ 1.1	1,468	
Equity capital	2,277	+ 46.7	2,277	
Partial operating income	307	+ 22.7	330	
Net income	88	+ 15.5	93	
, ter				

* For your copy of the IKB Annual Report, please write or call: IKB Deutsche Industricbank AG, VM/M, P.O. Box 10 11 18 D.40002 Düsseldorf, Telephone: (211) 8221-985, Fax: (211) 8221-766 Of the total 1992/93 net income DM 16 million will be used to further strengthen our reserves. The dividend remained unchanged at DM 10 per share. Since the shares issued in our January 1992 capital increase are, for the first time, eligible for a full dividend payout, the annual shareholders' meeting on October 22 approved an increase in the distributable profit of DM 11 million to DM 72 million.

Details about IKB's activities and results are contained in our 1992/93 Annual Report - available in German and English - which we will be happy to send to you upon request.* It also includes a special section on the prospects for the German economy entitled "A Return to Growth".

Based on the first half results our 1993/94 financial year also looks very promising. Demand for our wide range of financing services has been unexpectedly high. This is reflected in our interim figures.

Increase as of September 30, 1993 compared to March 31, 1993:

- Balance sheet total + 3.8 %
- Claims on customers + 3.5 %

Increase compared to 6/12 previous year

- Net interest and commission income + 5.3 %
- Operating result + 5.7 %

Through our cooperation with BHF-BANK, Frankfurt, and Crédit National, Paris - IKB holds shares in both banks' capital and vice versa - we and our partners have further strengthened our strategic positions. We feel that IKB is well prepared for the challenges of the difficult years ahead.

> Dr. Alexander v. Tippelskirch Speaker of the Board of Managing Directors of IKB Deutsche Industriebank AG

KB Deutsche Industriebank 🗷

Decline exposes frailty of earlier bull run

IF IT takes so little to knock the wind out of the bond market's latest bull run, then how will the market react to some real evidence that the US economy is picking up momentum?

That was the question left hanging in the air at the end of last week, as bond prices continued their week-long slide, and the yield on the 30-year long bond climbed back to

nearly 6 per cent. There was precious little new information in the market to justify a 20 basis point rise in the yield on the long bond. The yield ended on Friday at 5.98 per cent, from 5.78 per cent (a record low) at the end of the The pain was felt across the

CANADIAN BONDS

yield curve: 10-year bond yields climbed 23 basis points, to 5.39 per cent, while the yield on the two-year note rose hy some 13 basis points, to 3.9 per cent. Bullish data on inflation the week before had fuelled the latest run-up in bond prices, but it took little to prick the mar-

ket's bubble of confidence. On Monday, J.P. Morgan said it was cutting its prime lending rate by half a percentage point, to 5.5 per cent. The move hardly seemed to pressage an immediate round of rate cuts by hanks hungry to attract new loans. Morgan itself makes relatively few loans tied to prime, and other banks failed to respond to its lead. Still, the move was enough to

raise the prospect of higher loan growth, one result of which would he that banks would slow their purchases of Treasury bonds.

On Thursday and Friday, the bears had something firmer to bite on. The Philadelphia Fed's latest manufacturing index not usually one of the bond market's most awaited pleces of data, to be sure - showed a sharp rise. A quarter of manufacturers questioned in the Fed survey said the general level of business activity had increased over the previous month, while only 9.9 per cent said it had fallen. This made a "diffusion index" of 15.1, a sharp jump from 8.7 the previous month.

The fall in bond prices on the

expects the pick-up to be echoed in the more significant NAPM index, due a week today The Philadelphia Fed survey. though, also indicated little sign of inflationary pressure picking up. The diffusion index

of prices paid by manufactur-

ers was close to zero, while the

index for prices received fell

11.5 (in other words, more people reported a fall in prices they could charge than a rise.) Mr Alan Greenspan, chair-man of the Fed, ended a poor week for the bond market by announcing that the economic "headwinds" which had checked growth had lessened The implication: any chance of

an easing of short-term inter-

ket players. Mr Sutherland

says the attraction of Canadian

bonds is not so much a high

data suggests the market est rates, already a long shot, had become even more remote. The next fortnight will give the markets some more signifi-

cant numbers against which to judge these straws in the wind. On Thursday, third-quartar GDP figures are widely expected to ahow an acceleration from the first and second quarters of the year (hardly surprising, given the weakness of those periods). Analysts forecast the figure at anywhere between 2.5 per cent and over 3 per cent, at an annualised rate, compared with the 1.9 per cent of the previous quarter and 0.8 per cent in the first three months of the year. Even that figure may understate the true increase in economic activity m many parts of the country: the aummer's flooding in the Mid-West could have held back the growth rate hy 0.5 per cent,

according to one estimate.

After last week's falls, the bond market seems to have hraced itself for an acceleration in the growth numbers. The 30-year bond yield has held below 6 per cent pretty much consistently since the beginning of September, with the occasional slide towards the 5.5 per cent level at which many economists think it will trade in the medium term. It would take something significantly out of line with market expectations to push the yield out of this trading range and back above 6 per cent for a

Richard Waters

UK GILTS

Traders expect quiet spell

Oct 22, 1993

5 years 20 25

cent stock due 2003 and £250m

of 2½ per cent stock due 2020 -

about 10 basis points. On Fri-

day night, yields of 10-year

gilts were quoted on a par

basis at just over 6.5 per cent. Over the week, the yield difference for 10-year gilts compared

with the equivalent German

bonds narrowed from 103 basis

Short-dated gilta ware boosted by the Bundesbank's

decision to cut by half a per-

centage point its Lombard and

discount rates, to 6.75 per cent

and 5.75 per cent respectively.

The decision showed every

sign of the Bundesbank bowing

to pressure from other coun-

tries for an easing in monetary

policy to speed up European

growth, and was followed by a

SMESS FILAMO STRAMENTS
Asian Dev Bonk 8 10...
Council Europe 44, 98...
EB 64, 94.
Es 64,

points to 97 basis points.

had found purchasers.

UK gilts yield

Restated at par (%)

Oct 15, 1993

6.0

WITH THE 53.5bn gilt auction this Wednesday likely to be the last of the year, the UK government bond market is looking ahead to a quieter period after the recent runs of price rises.

Last week, gilts along the yield curve showed healthy gains on the back of generally favourable economic data, the cut in interest rates by the Bundesbank, and news that the Bank of England would not bold a gilt auction next month because of a possible clash with the November 30 Budget

With the Bank well ahead in its gilt-issuing programme for the financial year, many gilt specialists reckon there will be no gilt auction in December, leaving open the possibility of one auction a month in the final quarter of the financial year ending next March. Assuming the Bank sells all

the 6 per cent Treasury bonds maturing in 1999 up for takers at Wednesday'a anction, it appears the government will need to find buyers for only about £10bn worth of bonds to meet its funding requirement for the full financial year. These calculations are on the basis that the Treasury is correct in its forecast of a public sector borrowing requirement of £50bn for 1993-1994.

The strength of demand for gilts was illustrated by the ease with which the Bank sold bonds from a stock of £400m worth of index-linked securities released on Thursday, By the next day, roughly half of the bonds - £150m of 21/2 per

across the Continent. In Britain, there was little sign that Mr Kenneth Clarke,

the chancellor, was inclined to follow suit in the near future. Even so, many gilt specialists believe the German move will make it easier for him to cut base rates from 6 per cent on or around Budget day, to offset an expected fiscal tightening to bring down the PSBR in the next few years.

wave of rate cuts elsewhere

While the yield decline for short-dated gilts might have been expected to lead to a fall in prices at the longer end of the gilt curve - on the basis that falling official rates might trigger inflationary pressures longer maturing gilts also per formed generally well.

During the week, yields for most classes of gilts fell along the length of the bond curve by This was largely because of the market's continuing perception that price pressures will stay subdued for some time, a sentiment reinforced by Friday'a data on UK output which indicated that (excluding oll and gas) gross domes-tic product climbed by just 0.4 per cent in the third quarter compared with the second quarter, after three monthly increases of 0.5 per cent and 0.6 per cent in the second and first quarters respectively.

"The figures generally fitted in with the thinking that the pace of the recovery is slackening, which is good news for gilts," said Mr Simon Briscoe, a UK economist at S.G. Warburg

Peter Marsh

Prices overcome election uncertainty

HOLDERS of Canadian bonds have shown remarkable equa-nimity ahead of today's gen-

eral election. Desplte the prospect of a unusually fractious parliament, bond pricea have regained almost all the ground they lost at the start of the election campaign in Septem-

The spread between 10-year US and Canadian government bonds has narrowed from 1.72 percentage points to 1.38 points. The benchmark Canada issue was yielding 6.71 per cent at the end of last week. Short-term interest rates have fallen even faster.

The Bank of Canada has intervened in foreign exchange markets, not to support a sliding currency, but to brake its climb. The Canadian dollar has soared by almost two US cents in the past week, closing last Friday at about 76.65 cents.

The recent rally in financial markets mirrors rising confidence that the Liberal Party. presently in opposition, will emerge from today's poll as the majority government.

Foreign investors' first choice would have been a third term in office for the Progressiva Conservatives. However. the Tories have had a disastrous campaign. They may end up behind not only the Liberals, but also the two fledgling regional parties, the Bloc Que-

HIGHLIGHTS

becois and the right-of-centre

Reform Party. The prospect of a Liberal majority has dissipated fears of an unstable, hung parliament in which the separatist BQ and Reform would call the shots. Furthermore, the Liberals are perceived as more sympathetic to businass than they were during their last spell in office in the 1970s and early 1980s. While Liberals still argue

among themselves on the pros

recent weeks that a Liberal government will offer Mr John Crow, the Bank of Canada'a inflation-fighting governor, a second seven-year term. Although the Liberal leader, Mr Jean Chretlen, has said that he will seek to renegotiate the North American free trade agreement, there is a widespread perception that a face-saving formula will be found to implement it.

Money managers tick off sev-

The recent rally in financial markets mirrors rising confidence that the Liberal Party, now in opposition, will emerge from today's poll as the majority government

and cons of government internvetion, some of the key economic portfolios in a new Liberal government are likely to go to two MPs, Mr Paul Martin and Mr Roy MacLaren, who each have substantial experience in, and sympathy for, the private sector.

Their room for manoeuvre will be limited by the huge build-up in federal and provincial government debt over the past decade, much of it held outside the country. Canadian politicians of all stripes have become more sensitive in the past year or two to the views of foreign bond bolders and credit rating agencies.

The odds have narrowed in

eral reasons why the bond-market rally is likely to continna for at least another month or two after the election. Canada's economy is atill

in the doldrums and the

annual inflation rate remains

below 2 per cent. Despite the

recent narrowing of US-Canada

spreads, inflation-adjusted

interest rates in Canada are

Canada is attractive at spreads anywhere above 100 basis points, and very attrac-tive above 150," says Mr Will Sutherland, vice-president for fixed income at Altamira Management, a Toronto-based

nutual fund group. Lika many other bond-mar-

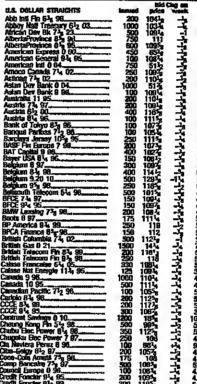
yield as the prospect of a fur-ther advance in the Canadian dollar. "The opportunity for currency appreciation is better now than it was a year ago, Such optimism is barder to

find however, among foreign exchange traders. Mr John Nicholson, vice-president at Bank of Nova Scotia, says the dol-lar's strength "will probably continue over the near-term if there's a [Liheral] majority. But over the long term, there are a lot of problems. These range from weak com-

modity prices to uncertainty about next year's provincial elections in Quebec, which will be more important than today's poll in determining whether Canada remains in one piece. Towering federal and provincial budget deficits, which could lead to the downgrading of some provinces' credit ratings, continue to cast a shadow over currency and bond markets.

There is also the risk, of course, that the opinion polls may be wide of the mark. One Canadian securities dealer in London says, with some understatement, that "tha market could have a bit of a hiccup this week if the Liberals are short of a majority".

Bernard Simon



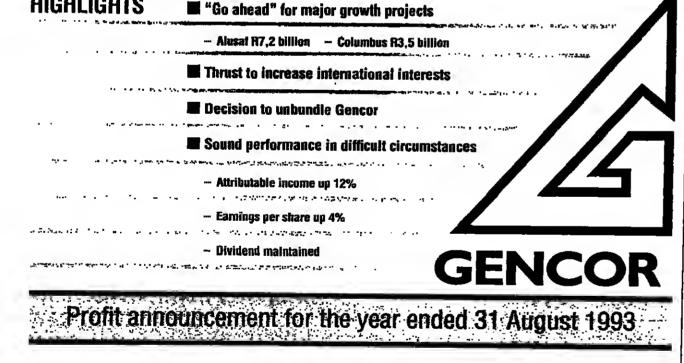
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12 months to 31 August	1993	1992	0/
		dited)	% change
Attributable income - R million	1 411	1 261	12
Earnings per share - cents	102,5	98,8	4
Cash earnings per share - cents	54,7	59,9	(9)
Dividends per share - cents	45	45	•
Net assets - R million	18 626	18 446	1
Net assets per share - cents			
- at 31 August	1 354	1 341	1
- at 21 October 1993	1 271		

A Charles of the Control of the Cont

A final dividend of 29 cents (1992 - 29 cents) per ordinary share will be paid on 25 November 1993 to shareholders registered on 5 November 1993. The register of members will be closed from 8 November to 19 November 1993. Currency coaversion -15 November 1993. A profit announcement giving more detailed information will be mailed to shareholders. Copies may also be obtained from

the London Secretaries: 30 Ely Place, London, EC1N 6UA. On behalf of the board

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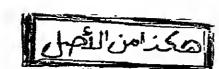
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FINANCIAL TIMES MONDAY OCTOBER 25 1993

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New Issue/October 20, 1993

13,000,000 Shares



Perrigo Company

Common Stock

Price \$31 Per Share

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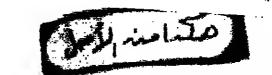
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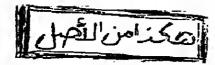
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4	1,105 760 Perimones Zement . 900 452 290 Redex Hersiditi . 435	3,209 2,380 Bongrain	875 520 Goldschmidt (7H) 610	286 178 Hollad Seton 240.: 51.80 20.80 Hoogeness Day Recs 43	129 73,75 SundMan A 125
4	220 148 Steyr Debnier	1,345 851 CGP 1,332	1 200 820 Helden Jen	75.80 35.80 Hunter Dougles 74.5 41.40 21.75 IHG Caland 40.10	86.75 5.70 Skan Enskide C - 61.50
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4	3,970 2,820 Wienerbarger 3,905	100 131 Casino151.90	1.098 790 Hoteman Ph 012	38.30 27.25 KNP BT 37.90	402 246 Stora Kopp 8 357
12	SEL COMMALDOSARCIURG	461 340.10 Chat Mediterrates 355.10	324.50 227 9(8 Deutsche Ind 322	47.90 3A.20 Kein Pathoed Ophics 47.90 53.70 22.90 Heddloyd 52.80 180.40 68.50 Nilyard-Tan Calo 88	100 100 Sydram A
-1 ₂	1963 Price	258.00 208.50 CCF	147 95 70 Kell & Setz 138	1147 100 RefrierBessbitts 140	500 345 Yoko A429
1-	2 985	705 458 Cred Lyon (G)	923 478 Karstadt	59.50 38 Oce V Grinten — 58xd 39.10 19.60 Philips	500 345 Volud 8 417
i,	5,470 2,350 Ackermans 2,470	734 526 Great National 5.090	97.50 39 Klockner Weske _ 97	119.70 96.70 Robect 119.7	0
4	4,400 1,750 Arned	970 380 Doors de 75 Ce 302-50	815 355 Leffet 810	118.80 95.30 Roboco 118.4	a 1983 Pripe .
-3	16,090 11,236 Bank Inti a Lux 16,090	2.880 2.030 Eaux Co Gers - 2.854	518 310 Linciple-Hell 336	95.80 80 Roranto 95.80 198.60 142.60 Royal Dutch 198.6	High Love October 22 Pro.
12	36,975 31,000 Sengue Nat Belg . 33,500 20,200 15,300 Belgart	480 320 El Aquilana	150.30 61 Listinanes n/v Pri 149.60	48 25.30 fet look Ween Uple - 48.70 40 25.50 Stork MV - 37.50 27.50 184.10 United Day Rect - 215	214.50 97 Auguste Linz Dr 580 575 377 Auguste Linz Dr 580
	12,850 8,000 GBR GRIER	1,144 881 Ef Saroff	257 219 MAN Part 277,50	[[31,60 g/./U 4ffU	2.370 1.550 Butches (Reg) 2.350 1.004 688 Brund Boven (St.) 1.004
-la	5,290 4,220 Cobepa 5,150	715 455 Encama 8-Say u . 626	784 561 Maganheira Vers - 780 772-50 398-50 Mercedes Hid - 759 397-50 285 Metallametechnii . 378-50 Metallametechnii . 378-50	41.50 \$1.20 Yan Dumaran De Ros . 40.90 109.90 81 Walters to Dep Rece 109.9	- AGE 132 Breat Road Red 191
3	6,570 5,020 Colruyt 5,820	2.400 1,725 Emx 2.110	397.50 285 Metalproducted . 376.60 4,100 2,565 Mount Rout (Red 4,050		3,425 1,860 CS Hidge (8) 3,596 785 612 Cibe Gelgy (8) 774 750 581 Cibe Gelgy (8) 774 3,200 2,060 Belgty (8) 3,180
18	6,420 6.618 Beckrabel 6,318	99 49 20 Suro Disney 52.15	196 146 PNA	NORWAY 1862 Price	
	2,920 2,030 Electration ACT = 2,890	156 11230 7480-8	786 425 Posscio 785 440.50 330.10 Preudeng 440.50	High Low October 22 Krows	1,010 818 Factor Seo (Br) - 935 .
_	3,630 2,600 GEL AFV 1 3,500	544 307.10 GIAN-CHEEDAN 1.875	478.50 384 RWE	163.50 78.50 Bergesen A	839 514 Holderbank (Br) - 821 537 370 Holds Hotz (Reg) 412
	9,080 7,070 Ganerale Banque 3,500	890 537 Geographysique 622	307 230 Rhabstatal Serie . 260 226.50 170 Rhabstatal Pri 201	118 00 Dyro Ind	-70 100 Island (200 1/8)
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78	7,900 5,750 Kredietbank	155 122 brance Phenix 128.30	395 287 Schmittech Lubera 830 725.90 568 Shemitos	220 152,50 Norsk Hydro	1,195 1,013 MOSES PROP 1,199
·	6,180 5,500 Mecariter 5,633	807 410 krierbeil 550	525 395 Sud Cherrie 526	255 163 Orids Free 255 250 141 Rieber Son A 220	1.370 1.150 Pargusa Hid (87)1.383 4.060 2.530 Pherns Valor (5) 4.080 242 194 Pheni (87)
1	16,150 12,600 Pan Holding List 18,150		337 285 Varia 322 471 359 Vaba 470,60	93 67 Segn Pet A Free - 92 93 64,50 Segn Pet 8 Fred - 90,50 380 182 Schibeted - 355	
a Ja	3,125 2,545 POWERTH	4.989 3.940 Legrand4.850 1	298 213.30 VEW	165 76 Stori 6 165	5,745 3,830 Roche (Geruse) = 5,725.
ı,	5,000 4,025 Royale Seige 4,920 4,700 3,810 Royale Seige APV 1 . 4,850	550 390.10 Lycto Best Durse: - 550 109 90.50 Mazza-Hachette - 149.50	402 241 Volengeror 380 NO	80 16 Verd	
10	2,895 1,895 Soc Earl Brigg 2570	120 70 dd Mordoev . 100	333.80 210 Volkeywegen Ptf 319 860 800 Weigs Ptf 860 229 161 Zanders Felapse . 220		I A OUR OF THE CANADA PROPERTY OF THE PROPERTY
3g	14,500 9,900 Softes 13,600 1,800 1,250 Solves 1,400d	181 125.50 Nord Est		SPAIN Fried	1,380 520 Scheder (PigChi 1,380 705 581 Sulzer (Peg) 777
٠.	15,850 10,775 Solvey	515 230.50 Paris Reescompas . 515 }	TALY	High Law Colober 22 Pts.	_ 241 148.50 Swiss Bank 1Reg) 238.50
4	2,585 1,950 Union Miniere 2,400		1901 Law Colober 22 Lire	5,490 3,580 Alba (Corp Fin) 4,890 6,330 4,190 Argentigria	
1	TYPINARIX	1,055 535 Promodes 1,056 378 219,50 Recletechn 380	5,735 4,180 Banes Coom 4,820 4,450 3,080 Banes Nez Agric . 2,160 2,223 1,860 Banes di Roma 1,861	3,585 2,300 Benco Bibbao Vizz . 3,5000 4,100 2,805 Benco Critzel Hisp . 3,845 4,265 3,600 Benco Exterior 4,185	750 420 Switzenie (*14) - 725 1,294 845 Union Bank (br) - 1,288 745 522 Winterflor (Reg) - 740 1,374 1,000 Zwitch Im (br) - 1,388
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-	236 197 Blatter 215 268 238 Certabery A 250.68	800 480 Saint Gobain 571	1,830 970 CH 1,807	2,160 3,560 Cublertes ,	High Last Outober 22 Kund
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	587 258.50 Great Nordic 585 228 162 135 Mt Serv B 218 378 217 Jyaka Barit Reg - 370	371 80 244 Sunz (Cla de) 369 20	4,020 2,730 Fixe	5.000 3.800 Kolps 4,760	48.50 30 Sarlow Rand 39.70 34.50 6.75 Beetrix
_	1,900 1,050 Lauritzen (J) B 1,100 290,30 195 NNT A/5		1,891 1,380 Semins	6,500 3,410 Maptro	80 16 Buttels
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	505 400 Sophus Berend A 487 493 385 Scohus Berend B 480	558 \$17 Limber 520	10,550 7,100 Italicable	530 296 Serio	13.50 3.50 East Rand Gold 8.25
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-1	150 81 Cultor 1	2,840 1,945 Alkanz A6 2,832 / 4	5,500 3,830 Selbed	1993 Price	71.26 56.50 Liberty Life SA 64 44.25 35 Mathold 39 26.75 16.65 Nedgor
	218 170 Hubtenbeld 1 183 18 8 KOP 18 44.50 33.50 Keeks 37	595 505.50 Abana ind 588 1: 939.50 570 Asio Pri 935 1: 845 380 Asio Pri 844 8	0.900 7.750 Skil 9.985	450 518 AGA A	8 5.20 O K Bezzetrs
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	95 53.10 Kymmene 90 190 115 Metra A 184 190 97 Metra 8 187	319 253.10 Bayer 318.80 2	3,300 16,700 Tool Franco 21,300	186 127 Astra A	29 23.20 Rembrandt Grp 26 20 16.60 Rembrandt Chtri . 18 85 57,75 Rust Plet
-1	255 108 Metse-Seria A 248 258 BZ.50 Metse-Seria B 248	830 445.50 BMW (3r) 828 545 405.50 Bayer Verelnetk , 542.50 805 836 Belessforf 805		415 220 Alian Copes A 407	100 67 Sutmerles & Renole, 70 142,50 115 Smith (CG) Ltd 121
9	319 BZ.18 Nokin Pref 316 68 42.50 Outokumpu A 84.50	440 241,50 Berther Benk 430 / 235 114,50 Berther Knett 211,50		412 220 Atten Copen B 403 278 193 Electrotus B 271 477 172 Erlesson B 446	24 17 SA Man Amoor 20.75
_	118 46 Pohjota A	627 391 BH Bank 525.50 H	light Low October 22 Fix.	115 83 Essetts A 104	147.50 34.50 Southwal
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- - -	182 130 Stockerstern 6 160 30 15 Tanopolite 28 20.26 3.96 Unitse C 16	1.075 425 Colorida Rottsen Pf 992 134 231 Connecestants 341-34 344 231 188 Continestants 341-34 34 231 403 392 DUV 488 488 888 888 888 888 888 888 888 88	9.80 BB.50 ANGE	255 182 Incentifie A	AUSTRALIA (continued) AUSTRALIA (continued) 1992 Righ Low Gotober 22 Annus
- - -	122 130 Stockerstent 6 166 30 15 Tanopolite 28 20.26 3.96 United C 16	1.073 425 Colorida Kontzera Pf 992 134 231 403 140 231 403 140 231 403 140 140 140 140 140 140 140 140 140 140	9.80 BB.50 Article 94.50 27.60 134.50 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	225 182 Incentifive A	AUSTRALIA (continue) 1993 Price Nigh Low Gotober 22 Austs 2.34 1.91 Maga
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-	120 130	1.075 425 Colorida Rottzern Pf 992 134 231 425 Controlerations;	9.80 BB.50 Articl	255 162 Incentifive A	AMSTRALIA (continued) 1963 Right Low Gotober 22 Amrs. 2.54 1.81 MMA
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-	182 130 Shickentent 6 166 30 15 Tanquelle 28 20 20 25 3.95 United C 16 16 16 16 16 16 16	1.075 425 Colorida Rottzern Pf 992 1 344 231 Commercians; 341-34 34 344 231 188 Commercians; 341-34 34 348 3 322 DUW 458 458 858 858 858 858 858 858 858 858	9.80 BB.90 Arbold 94.90 187.00 13.70 28.80 Arbold 95.80 Arbold 96.80 A	255 182 Incentive A	AUSTRALIA (continue) 1993 Nigh Low Gotober 22 Austra 2.34 1.81 Maya m
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	120 130 Shickentent 6 166 30 15 Tanquelle 28 20 25 3.95 United C 16 16 16 16 16 16 16	1,071	9.80 BB.90 Arbold 94.90 17.01 34.90 37.01 34.90 Arbold 97.00 36.00 Arbold 97.00 36.00 37.00 36.00 37.00 36.00 37.00 36.00 37.00 36.00 37.00 36.00 37.00 36.00 37.00 36.00 37.00 36.00 37.00 37.00 36.00 37.0	192	AUSTRALIA (continued) 1993 Nigh Low Gotolog 22 Australia (continued) 1993 Nigh Low Gotolog 22 Australia (continued) 1993 Australia (continued) 1993 Australia (continued) 1994 Australia (continued) 1995 Australia (continued) 1,239 1,240 1,250 1,250 2,263 Nigh Net Austral Brink
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	120 130 Shickmann 6 166 30 15 Tangash 28 20 25 3.95 United C 16 16 16 16 16 16 16	1,075 425 Colorida Rottzen Pf 992 344 231 231 243 394 231 398 Continenta Rottzen Pf 992 463 392 DUV 458 45	9.80 BB.90 Abold 9.4.90 177.00 18.30 1.00 18.30 Abold 9.7.00 18.30 Abold 9.7.00 18.30 17.00 18.30 17.00 18.30 17.00 18.30 17.00 18.30 17.00 18.30 17.00 18.30 17.00 18.3	Title Titl	ARSTRALIA (continued) 1962
	120 130 Shickmann 6 166 30 15 Tanqueh 5 28 20.26 3.95 United C 16 16 16 16 16 16 16	1,075 425	9.80 BB.90 Abold 9.4.90 177.00 18.30 1.00 18.30 Abold 9.7.00 18.30 Abold 9.7.00 18.30 17.00 18.30 17.00 18.30 17.00 18.30 17.00 18.30 17.00 18.30 17.00 18.30 17.00 18.3	Title Titl	AMSTRALIA (continued) 1982 Righ Low Gotolog 22 Price
	120 130	1,075 425	9.80 BB.90 Abold 9.4.90 177.00 18.30 1.00 18.30 Abold 9.7.00 18.30 Abold 9.7.00 18.30 17.00 18.30 17.00 18.30 17.00 18.30 17.00 18.30 17.00 18.30 17.00 18.30 17.00 18.3	Title Titl	AUSTRALIA (continued) 1993 Naja Low Gotolog 22 Acress 1996 1997 1998 Naja Low Gotolog 22 Acress 1996 1998
	120 130	1,075 425	9.80 BB. 90 Articl	182	ABSTRALIA (continued) 1993 Naja Low Gotolog 22 Across 224 1906 6.16 Mayor Nicides 8.235 4.15 1.95 Maria Macul
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	120	1,073	1987 1988 19	1802	AMSTRALIA (continued) 1993
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	120 130	1003	9.80 BB. 90 Arbota	1802	AMSTRALIA (continued) 1962
	120	1.073 425	1985	1802	AMSTRALIA (continued) 1962
_	120	1.073 425	9.80 BB. 30 Ahold	1802	AMSTRALIA (continued) 1982
_	120	1,015 425	9.80 BB. 30 Ahold	1802	AMSTRALIA (continued) 1962
_	120	1,015 425	9.80 BB. 30 Ahold	1802	AMSTRALIA (continue) 1983
_	120	1,015 425 Colorida Rottzen Pf 992 334 231 392 334 231 398 Continental Rottzen Pf 992 334 231 398 Continental Rottzen R 341-34 392	9.80 BB. 90 Arbota	1802	AMSTRALIA (continued) 1962
_	120	1.073 425	9.80 BB. 90 Arbota	1802	AMSTRALIA (continued) 1982
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	120	1,015 425	9.80 BB. 90 Arbota	Table Tabl	AMSTRALIA (continue) 1982
	120	1,015 425 Colonia Kontzen Pf 992 334 231 392 334 231 398 Connectorate 341-34 393 394 231 398 Contribute 401 233-40 118 392 392 392 393 394 393 394 393 394 395	9.80 BB. 30 Arboid	1802	ABSTRALIA (continue) 1983
	120 130	1.003	1988	1802	AMSTRALIA (continued) 1982
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	142 130 Shickmann 6 166 30 15 Tanqueh 5 28 20.25 3.95 United C 16 18 18 19 18 18 18 18 18	1,015 425 Colorida Rottzen Pf 992 334 231 392 334 231 393 334 231 398 Continental Risk 341 345 392 344 315 392 393 394 395	1985	1862	AMSTRALIA (continued) 1987
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	140	1,071	9.80 98.90 Abote	TROS.	AMSTRALIA (continue) 1982
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	142 130 Statemann 6 166 168 16	1,071	9.80 98.90 Abote	1802	AMSTRALIA (continued) 1987
	142 130 Statemann 6 166 168 16	1,015 425 Colorina Rottzen Pf 992 334 231 394 395 234 394 395 395 335 245 394 395	1985	TROS.	AMSTRALIA (coordinate)
	142 130 Sickensent 6 166 168 1	1,015 425 Colorina Rottzen Pf 992 334 231 394 395 234 394 395 395 335 245 394 395	1985	TROS.	AMSTRALIA (continued) 1987
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	142 130 15	1.073 425 304 305 304 305 304 305 30	1985	TROS.	AMSTRALIA Coordinate 1992
	140 130 15	1,071	1985	1802	ABSTRALIA (continued) 1992
	142 130 150 160	1,071	1985 1985	TROS.	AMESTAALIA (combinate)
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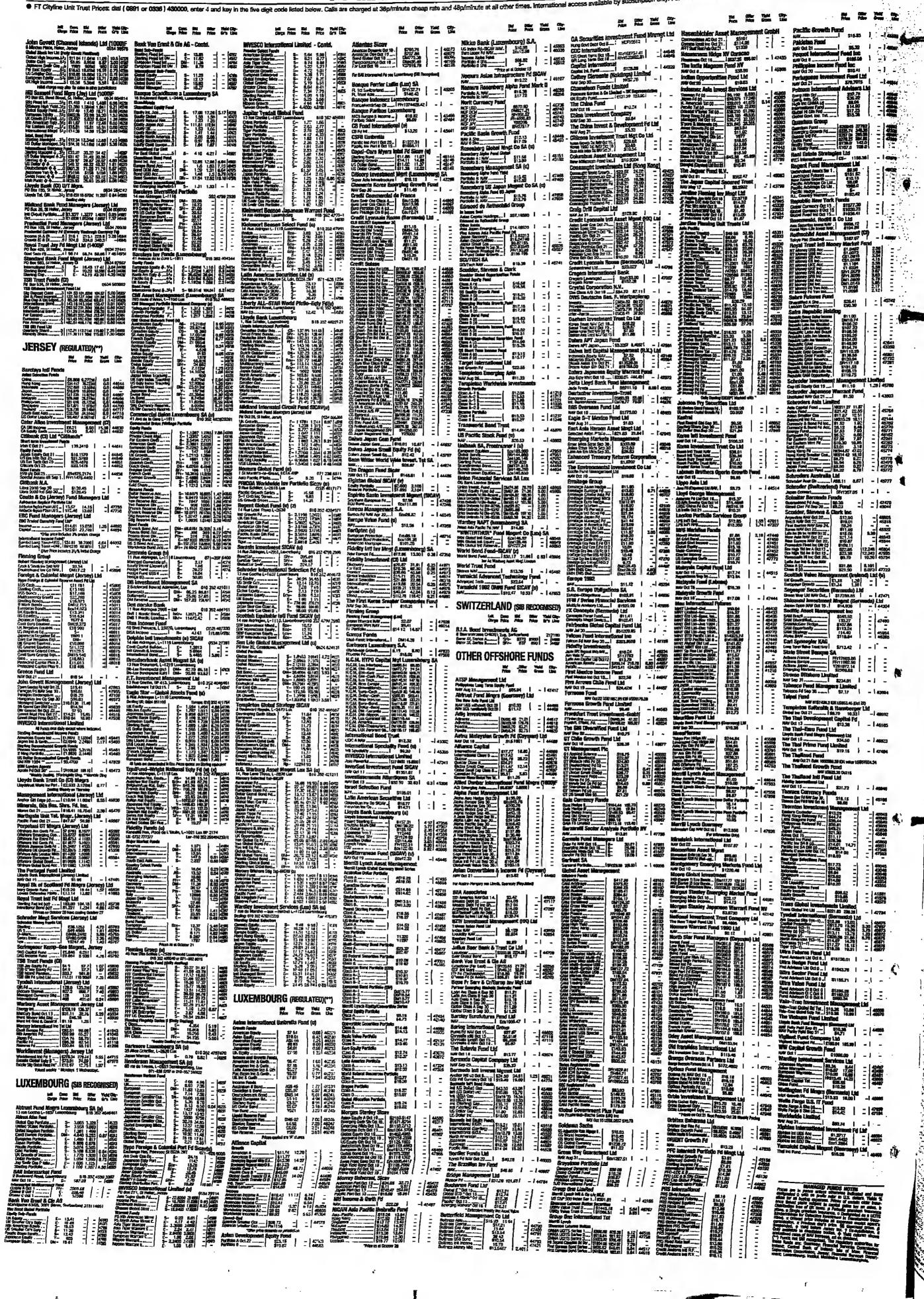
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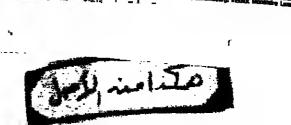
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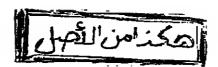
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3,000 8-400 **Money Market** One month % EQUITIES Oct 22 | Syman | Syma 0.35-0.33spm 0.27 0.24-0.18spm 1.27 12-0-18spm 1.27 12-0-18spm 1.27 2.24spm 2.28 0.55-0.7rdin -0.89 1-4-19sb -0.29 1-7-19spm 2.27 1-1-19spm 1.29 1.24-0.18spm 1.29 1.2 Trust Funds 0.84-0.81 pp 0.85-0.30 pp 1.50-0.30 pp 1. Paid Resurc 1993 Times Gross P/E Cov's Yest Rute ECONOMISTS and foreign exchange dealers are expecting 2501-25,996 ... | 3,00 2.25 | 7,02 (4-480)
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Pattes engoglished on press. | 5,500 | - | | 071-629 9014 Cale DM1.70 this week," says Mr CAF Money Blanagement Co Ltd:
48 Pentany Rest, Textering 199 230
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Deposits Pert 22 stillion | 6.70 - 5.62 3-466 the US dollar to confirm its Hoffman. A rise in the US currency is likely to be particularly noticeable against the German recent strength if key eco-nomic data due on Thursday Departs over the Color Character Departs Account The COLF Character Departs Account 2 Fore Street, Leader SECY SAQ 071-500 Teles Teles Departs 15.00 - 1 5.72 | 3-800 comes in as forecast, writes Peter John. currency as the foreign exchange community scents Cest. 8d. of Fig. of Church of England: 2 Four Street, Landon ECEY 540 071-566 1015 Ceposit. 5.60 - | 8.72 | 3-800 US data has been slightly Barrenfrem Tst Pic-Davenham 500 Acc 8 St John St, Marchoster MS 400 061-032 8494 further interest rate reductions more positive for the economy W4.35 2.0 4.1 15.3 210,000+ 6M8ts _____ 8.00 5.00 210,000+ 1 Year ____ 8.00 6.00 6.00 25,000+ Red Rule Bd 2 To 9.00 6.76 following the recent disap-pointing non-farm payroll fig-ures and many hope that the by the Bundesbank following last Thursday's cuts in the discount and Lombard rates. | Cartistera Microsy Management | 144 |
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16 25,000 • Price reasons a service.
Fidelity Money Market Account
Fidelity Brokerope Service U.K., Deball House
Hildenberoph, Service U.K. Additional impetus for lower lending levels, at least for tha | Historicarch, Not 1911 802 | St. Col. 2015 | Aug | A figures for third quarter US gross domestic product will repo rate, could come from the consolidate that improvement. **DOLLAR SPOT - FORWARD AGAINST THE DOLLAR** German CPI data due this **FIXED INTEREST STOCKS Money Market** UK clearing bank base lending rate 6 per cent 1.0725 - 1.0735 1.4060 - 1.4070 1.2060 - 1.2050 1.0860 - 1.0850 30.20 - 38.30 1.772 - 2.7225 1.6744 - 1.6755 172.46 - 172.25 133.35 - 133.35 - 133.55 133.55 - 133.55 - 133.55 1.2050 - 1.2050 1.0715 - 1.0715 1.0715 - 1.0715 1.0715 - 1.0715 1.0715 - 1.0715 1.4745 - 1.4755 1.4749 - 1.4755 1.4419 - 1.4420 9,041-0,50pm 1,10-1,05pm 0,37-0,45th 1,30-1,30th 45,00-40,00th 45,00-40,00th 378-1,23th 378-1,23th 20,00-21,50th 4,75-4,55th 7,70-4,20th 1,37-4,55th 7,70-4,20th 1,38-1,55th | Symbol | 1,4705 | 1,4840 | telanof | 1,2930 | 1,4116 | 1,2930 | 1,4116 | 1,2930 | 1,4116 | 1,2930 | 1,4116 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | 1,2930 | None Price g A shift below 4 per cent in Accept Pald 12 Price 2 **Bank Accounts** 2.24 3.06 -1.23 -5.13 -5.13 -7.54 -6.09 -6.15 -2.28 -3.20 -3.05 -1.27 -3.75 Resence Data the annual rate to between 3.8 from January 26, 1993 Rules for prosent continues: \$50,000 and show ... 8.16 4.56 8.24 \$25,000 to \$68,989 ... 5.75 4.31 5.68 \$70,000 to \$24,990 ... 5.40 4.05 5.51 \$2,000 to \$2,390 ... 4.75 2.00 4.44 per cent and 3.7 per cent, may well show the way to a another Goss that CAR but Cr (B) Rhock High Interest Cheque Account peneri Re, Undergo Life 15A 0400 282110 100 Sr-Lande 77-pc: Cr Ln 2020 100 boy 8 Shee Srt. Crp. Cr Ln 2020 100-2 Rail, Perer Graps Cr Bits 2008 — 100-2 San Allance 7 - 2pc P1 107 Wilson 6-4pc Bids 114½ 85 115½ 4½ 101½5 4¼ 118½ 1½ Mr Jonathan Hoffman, 72,500-89,999 227 1,70 2,29 Obr \$10,000- 3,74 2,61 3,79 Obr economist with Credit Suisse economist with Credit Suisse First Boston said the figure would be seewed by the impact of the head w floods around the Mississippi so the headline figure should be adjusted up to get a true ficture. The market is looking for a rise over the past quarter of 2.7 per cent.

"The dollar is on a bull run in the UK, market pressure for a one-point cut in base rates could continue as a spate RIGHTS OFFERS of reductions in continental fessue Priça B Amount Paid up Closing Price p Europe at the end of last week Renunc Date tyde Fleaves Group ty, Hosk, tecjestoka 8.00 4.50 8.14 Ob suggested that the current UK High Low m 24cm Ipen Sirberta — Sirberta level might be unnecessarily 34pm 1pm 1pm 4pm 26pm 1pm 33pm 23pm 77pm 58pm 4pm 14pm 24pm | 4½ | 1½pm | 4½ | 25pm | 4½ | 25pm | 23pm | 2 Leopold Joseph & Sens Limited 29 Gesturn Steet, Landon ECZV 7EA 071 - 568 2323 Economists will be looking Treemay High Interest Chaque Account 125.001—1100.000 \$.25 3.0375 |5.3544 On 1100.001 pint....... 5.50 4.1250 |5.0146 Ob "The dollar is on a bull run at the CBI's survey of industrial trends tomorrow for at the moment and if we get an 2.5 1.77 Yearly 3.60 Very Xisherwort Bonson Ltd 22 5.64 Very Xisherwort Bonson Ltd 22 5.64 Very Xisherwort Bonson Ltd 25 5.26 5.22 1.85 Men 1.85 Very Xisherwort Bonson Private Barric 2 5.26 1.85 Very Xisherwort Bonson Private Barric 2 6 Very Xisherwort Bonson Private Barric 2 6 Men 1.85 Very Xisherwort Bonson Private Barric 2 6 Men 1.85 Very Xisherwort Bonson Private Barric 2 6 Men 1.85 Very Xisherwort Bonson Private Bonson 3 6 Men 1.85 Very Xisherwort Bonson Private Bonson 3 6 Men 1.85 Very Xisherwort Bonson Private Bonson 3 6 Men 1.85 Very Xisherwort Bonson Private Bonson 1.85 Very Xisherwort Bonson Private Bonson 3 6 Men 1.85 Very Xisherwort Bonson Private Bonson 1.85 Very Xisherwort Bonson **EXCHANGE CROSS RATES** good underlying figure per any clues to easier monetary cent we could go through \$ 884 Year F. Fr. S. Fr. N. Fl. Litta CS & Fr. Pin. Ecul 1.473 2.487 159.5 8.517 2.172 2.772 2373 1.922 3.40 197.3 1.250 9 1.575 159.5 8.510 1475 1.802 1811 1.305 36.25 13.19 0.878 9 1.575 1.682 1811 1.305 36.25 13.19 0.878 0.925 15.47 150.5 4.03 1.802 17.38 14878 12.55 38.48 12.57 0.928 0.523 16.47 150.0 4.033 1.802 17.38 14878 12.55 38.48 1237 8.038 0.1709 2.803 185.1 10. 2.521 3.217 2754 2.250 61.67 229.0 1.497 0.6878 1.136 73.43 2.397 1 1.276 1503 0.886 2.459 90.94 0.594 1 0.531 0.805 0.5754 3.109 0.784 1 856.1 0.803 19.28 71.18 0.465 1 0.821 1.040 67.21 3.051 0.918 1.168 1500. 0.818 22.50 83.14 0.554 0.0765 1.284 82.89 4.463 1.130 1.442 1236 1 27.78 152.7 0.871 0.576 4.250 80.54 4.397 1.101 1.485 1236 0.575 10.0.854 1.0.854 1.570 80.254 4.397 1.101 1.485 1236 0.978 4.460 152.9 1. American Express Bank Lin Sussen House, Surgeon Hr Hotill SAO 1,80 2,02 hrb 3,38 4,86 hrb 3,58 4,86 hrb 3,75 5,12 hrb 3,94 5,38 hrb 4,31 5,90 hrb OTHER CURRENCIES £ IN NEW YORK Provious Close Bank of Instand High Inherest Cheque Age 30-40 hgs 82, Seeps 51, 162. 9733 516518 210,000 + ... 425 1.188 1.319 Oir 92,000-23,909 4,000 1,000 4,000 Oir BANK OF ENGLAND TREASURY BILL TENDER 1.4720- 1.4730 0.35- 0.34pm 0.82- 0.80pm 2.46- 2.43pm 1.4949 1.4850 0.36 0.35pm 0.84 0.82pm 2.58 2.52pm Oct 22 | Oct 15 Oct 22 Oct 15 | Book of Scotland | 071-001 8445 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | fen per 1,000: French Fr. per 10: Lira per 1,000: Belgien Fr. per 100: Peseta per 100 STERLING INDEX **EURO-CURRENCY INTEREST RATES** WEEKLY CHANGE IN WORLD INTEREST RATES Oct 22 Provious Oct 22 Change Burchays School Processor School Process MEW YORK Portram Bldg Sec Prestige Cheque Account. 80.1 80.1 80.2 80.1 80.2 80.1 80.2 80.3 0600 400100 4.20 Yearly 5.50 Yearly 6.00 Yearly 5.50 Yearly | Text | 54 52 51 51 51 2% 112 123 146 Barciays Prime Account H.L.C.A.
10 Box 125, Montestone -0.50 -0.226 -0.20 6.75 61.25 545 **CURRENCY RATES** ż Special * Drawing Hights Currency Currency Unit 6.45 6.975 6.885 **CURRENCY MOVEMENTS** Brewn Skipley & Co Ltd 27 0.774427 1.14933 1.49397 13.14523 41.4442 7.69416 1.91227 2.14831 1843.25 123.948 8.33300 162.977 9.20499 1.68428 0.811983 0.839430 1.40099 1.84046 18.2046 50.2605 8.34128 2.30140 2.30140 2.40140 161.6182 2250.74 151.6182 2250.74 151.6182 2.0040 186.942 11.1425 2.0050 186.942 11.1425 2.0050 186.942 11.1425 2.0050 186.942 Bank of England Index 10-22 Windistra Hd., Fernand Hd | 31.B. | 0800 792101 | Cleart Account | 450 3.38 4.06 Delay | TESSA Fland | 1 Yelf | 4.09 - 6.00 Milh | TESSA Wartable | 5.37 - 6.50 Milh Long bern Emudeliant two years 44-4 per cost; fixed years 4,2-4,2, per cent; four years 44,4-45 per cost; fixed years 5-47g per cast nominal. Short texts rates are call for US Deliar and Japanese Year; others, but days' notice. 87g 812 .14 -14 ż -29.25 -11.30 -10.43 +16.87 -3.17 +7.79 +33.37 +23.71 +22.80 -8.14 -35.41 +120.18 -32.43 FT LONDON INTERBANK FIXING 6.445 6.365 Unch'd Unch'd Under d **BASE LENDING RATES** The fiding rates are the arithmetic means rounded to the nearest one-abdeoith, of the bid and offered rates for \$10m quoted to the market by fivo reterence banks of 11.00 a.m. each working they. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Benk, Banque National de Paris and Morgan Susranty Trust. Adam & Company ... Nykredit Mortgage Bok 6.5 A Bank rate reters to control bank disco These are set qualed by the UK. Spells : † European Curandistico Calculations. All SDR rates are for Oct 21 | Lyn **MONEY RATES** Girobenk CHICAGO Benco Bibeo Vizceya. NEW YORK Treasury Bills and Bonds Hebib Back AG Zurich _6 Bank of Cyprus U.S. TREASURY BONDS (CBT) 9% 5100,000 32nds of 100% Prime rate ______.
Broker loan rate _____.
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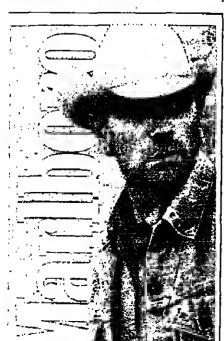
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Discreet man of steel

Karel Van Miert, EC competition commissioner, talks to Andrew Hill

uropean Community competition policy seems to have gone quiet since Mr Karel Van Miert took over from Sir Leon Brittan as EC competition commissioner in January. Mr Van Miert has taken fewer high-profile decisions than his predecessor, delivered

fewer speeches and had no "rows" with his industry counterpart, Mr Martin Bangemann, who last year merrily lamhasted competition hardliners as over-legalistic "ayatol-lahs and gurus". The difference is due partly

to a dearth of important competition cases, but mainly to a clear change in style. Mr Van Miert, affahle former chairman of the Flemish Socialist party, is no ayatollah - nor, however, has he turned out to he as pliabie as Europe's more Interventionist governments perhaps hoped he would be.

That should be little surprise to those who know Mr Van Miert. As commissioner responsible for transport, Mr Van Miert helped cajole governments and flag-carrying air-lines into far-reaching liberalisation of air transport last year.

But now, 10 months into his job, his discreet approach faces some of its biggest tests. He has just returned from a trip to the US and departs for Japan at the beginning of next month with the aim of challenging some of its deep-rooted restrictive business practices. Before then, he bopes finally to persuade some of Europe's largest publicly owned steelmakers to agree the capacity cuts and reductions in state ald that will allow a restructuring of the EC industry to go ahead.

Under such circumstances with the European economy squeezed by recession and lagging behind its competitors -Mr Van Miert, 51, believes the question of whether he is strict or relaxed about competition policy is irrelevant. "It's not a matter of soft-line or hardline," he says. "The question is: how can you balance and combine the legalistic approach [to competition policy) with what's happening in the real world."

As be moves out of the shadow of Sir Leon, Mr Van Miert has begun to answer that question. in speeches during his US visit earlier this month. he argued that recession and the increasing openness of world trade should change the way in which the Commission

examines competition cases. In particular, Mr Van Miert is convinced the potential for job creation ought to be a fac-tor when deciding whether or not to clear deals hovering hatween assent and prohibi-

This would appear to reawaken the fears of competition lawyers, among others, that Mr Van Miert might start to blur what they saw as a consistent and orthodox line pursued by Sir Leon.

But Mr Van Miert says competition policy cannot stand on its own, even if it remains the principal criterion in Commission decisions. Competition policy is the motor of economic growth - but it is uselese unless, as he puts it, the "bodywork" is also kept in good con-dition. "My responsibility is to look after the motor in the first place; but not forgetting that it's part of an overall structure," he says.

By taking into account employment prospects tha Commission is only responding to acute concern about the EC's growing unemployment rate, which is bound to figure in debate between EC leaders at this Friday's special summit in Brussels, "It's hard to see how a society can survive with unemployment of 15 per cent or more," Mr Van Miert points out, (The average EC unemployment rate is 12 per cent.) You can't just look at your competition textbook and say: That has to be No, and that's it.' You need to take into account the real situation."

Mr Van Mlert's other concern is that competition policy should adequately reflect changes in the market for certain products. The Commission used to examine the effect on competition in national markets or the European market, but increasingly the world market is a more appropriate reference, particularly for electronics products. "There are no ready made solutions," he says. As an example, the commis-

sioner cites the approval he gave earlier this year to a joint venture between Philips of the Netherlands, and Thomson and Sagem of France to produce liquid crystal display screens. They were the only producers in the EC, but competition on the world market is so intense that the Commission decided it could allow them to co-operate in the research, development and production of LCD screens for strategic reasons.



'The last centimetres are the most difficult'

Internationally, Mr Van Miert is keen to promote a three-stage process for removing the remaining barriers to free competition. First, he says a level playing field must be created. For the EC, that would mean protecting EC airlines and telecoms companies, for example, until they were strong enough to face their US counterparts - "who grew strong on the back of the higgest, best protected market in

PERSONAL FILE

1942 Born Oud-Turnhout, Belgium. Graduate in diplo-matic sclences, Ghent Univarsity. Lacturer at Brussels Free University. 1977 Chef de cabinet for Belglan minister for economic

1978-88 Chairman, Flemish Socialist party. 1979-85 Member of the European parliament. 1985-88 Member of the Belgian

1989-92 Mamber, European Commission for transport, credit and investments, consumer policy end (1992) environment. 1993- Vice-prasidant of the Commission, competition and personnel.

the world" - on equal terms. Otherwise, he says, "it would be like starting a boxing match between a heavyweight and a featherweight".

For the second stage, Mr Van Miert would take up an idea first mooted by Sir Leon 18 months ago: to chailange restrictive business practices worldwide, such as cartels, by setting minimum competition rules, enforced through the disputes settlement procedure of the General Agreement on Tariffs and Trade. This is ona topic which Mr Van Miert hopes to discuss with the Japanese next month, huilding on what he claims is a new readiness by the Japanese authorities to tackle collusion between Japanese companias. "We should tell them now: Really, enough is enough'," he says.

Finally, and most ambitiously, Mr Van Miert - who was briefly environment commissioner last year - would like to prevent companies exploiting some countries' inferior environmental or social standards, by imposing minimum international rules in these sensitive policy areas.

Such environmental and social concerns have rarely been voiced with such passion by an EC competition commissioner. But Mr Van Miert says that the hroad thrust of EC competition policy bas not really changed since the days of Sir Leon.

In fact, in spite of his more aggressive profile, Sir Leon's approach was not always as strict as his most zealous fans would like to make out. Several of the decisions cited by Mr Van Miert as examples of Commission flexibility on job creation and markets were taken by his predecessor. Moreover, Mr Van Miert has proved himself capable of using the textbook - particularly against the public sector

 when necessary.
 He has demonstrated genuine toughness in regulating state aid, notably to the ailing steel sector. This was the part of his job which he helieved

would be most challenging. Mr Van Miert insists on restricting state subsidies to some of Europe's largest publicly owned steel companies. He has banned subsidised construction of new capacity, and insisted on closures and job cuts in exchange for approval of existing state aid. In doing so, Mr Van Miert

has faced down the Spanish government, which has agreed to cut capacity in the sensitive Basque region of the country, and is trying to manoeuvre the Italian and German authorities into a deal on their restructuring plans.

Mr Van Miert hopes to table proposals for limiting state aid at a crucial meeting of EC industry ministers next month. To persuade them to approve the Commission proposals, he will warn ministers of what is likely to happen if they fail to take e decision. If capacity cuts are not mede, he says, and state subsidies are not reduced. then recent modest price rises will be wiped out, and a potentially crippling race for state aid could ensue.

"I'm rather optimistic," says Mr Van Miert, "The situation in the sector is such that I think companies and governments will go for a deal. We're near to the end, but the last centimetres are always the most difficult."

speaks out story in the Angeles Times last week related how inner-city violence was spreading to traditional safe havens such as sedate Orange County. A gang had provoked outrage m a tranquil suburb by ram-

on AMERICA

The story made e fitting backdrop for an interview I had arranged with Mr James Wilson of the University of California at Los Angeles, Mr Wilson, an avuncular intellectual, represents the opposite, civilised pole of US society. The only kind of weapon you can imagine him wielding is a phrase from Aristotle. But his bad behaviour. remarkable new book, The

Moral Sense*, throws light on modern social problems. His goal is to demolish one of the most entrenched myths of the 20th century; the belief thet there is no scientific or logical foundation for morality. Just ahout every intellectual trend has undermined conventional values. Marxists depicted morals as a bourgeois tool for suppressing tha masses. Freudians urged people to liberate themselves from a repressive super-ego. Existentialists told us to invent our own moral codes. Logical positivists, absurdly, claimed that moral statements were meaningless. Market liberals proclaimed that, as an ought can never be derived from an is, morality is a matter of conven-

The trend toward moral relativism was reinforced by changes in teaching practice. Starting in the late 1960s. US schools began to embrace e doctrine known as "values ciarification". This required school teachers to stop "moralising, criticising, giving values or evaluating. The predictable result, says Mr Wilson, is that people rapidly lost confidence in their ability to make moral iudements.

ming a metal rod through the

head of a youngster. The vic-

tim was not expected to regain

consciousness.

Some of his own students, he relates with exasperation, are unwilling to condemn even the perpetrators of the Holocaust.

A moral realist

"It all depends on your per-spective," said one. "I'd first have to see those events through the eyes of the people affected hy them," said another. What worries Mr Wilson most is that students typically begin their moral analysis by searching for excuses for

His book is designed to "help people recover the confidence with which they once spoke about virtue and morality". He regards his work as an extension of erguments first advanced by Anglo-Scottish Enlightenment thinkers such as Francis Hntcheson, David Hume and, above all, Adam Smith, who was "the pre-eminent moral philosopher of his age". The book's arresting title is e trifle misleading: in practice Mr Wilson is not prepared to follow Hutcheson in arguing for a moral sense on a par with sight or hearing. Instead he follows Hume and Smith in defining it as "an intuitive or directly felt belief about bow one ought to ect when one is free to act voluntarily".

Mr Wilson advances the arguments of Smith and others by showing that empirical science in the past two centuries has confirmed rather than refuted their belief that man is an intrinsically moral creature, with an invate sympathy for his fellows. Thus he cites a classic study showing that a lone hystander is more likely to help somebody in trouble than a group of hystanders. This undermines the argu-

ment that altruism is really a self-regarding ettempt to gain the approval of others. He cites research showing that young children spontaneously

develop a concept of fairness and seek to share their posses. sions without the prompting or even knowledge of adults. And he argues that the willingness of prisoners of war to endure torture, even when hope of escape is remote, implies the existence of an inner "voice of

In Mr Wilson's view, these moral predispositions are universal in nature. Anthropologists are right to argue that different cultures have different moral rules, but wrong to infer big underlying differences in moral values. Differences ent moral rules, he claims; mainly reflect differences in circumstances. A truly virtue ous man will be recognised as euch everywhere. The claim that morals have no validity outside of a given culture is thus bunk.

But if the moral sense is innate and universal, how could intellectual fashions have contributed to violence in Los Angeles and other American cities? The answer lies in evidence cited by Mr Wilson suggesting that moral development is linked to the quality of . relationships formed in childhood. A study of the people who risked their lives to help victims of the Holocaust in the second world war, for example, shows that they were disproportionately from close-knit families; sympathy for strangers, it seems, is a byproduct of sympathy for one's kin.

Moral relativism and the associated view that lifestyles should be chosen as freely asflavours of ice-cream has thus contributed to moral decay by creating environments in which children are not properly nurtured. Mr Wilson concludes that the collapse of the traditional family in recent decades (a majority of American children are now expected to spend some of their formative years in single-parent households) is "at the core of our social problems". Sceptics should read the book before airily dismissing this etill unfashionable conclusion.

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JOTTER PAD

A parting of the ways

hen people tell us that the European Community is in usually recite the standard list of symptoms: the disarray of the exchange rate mechanism. the failure to stop the war in Bosnia, the decline in voter support for the Maastricht treaty.
There is, bowever, a much

larger and more difficult structural problem facing the Com-munity than any of these transitional phenomena: as a result of the end of the cold war the member states must rethink the nature of the Community its size, its purpose, its essential character.

The Community's nature is bound to change through wholesale enlargement. There is now a throng of countries, in Europe and on its periphery, that wants to join the Community. Four members of the European Free Trade Association are negotiating now, and could join the Community by 1995. The east Europeans do not yet qualify; but the 12 bave already, in effect, conceded that, if the east European states continue with democratic and economic reform. their applications cannot be rejected nor long delayed.

Within a measurable timeframe, therefore, the Commu-nity could include most of Europe up to the Russian frontier, including some countries in the Balkans, plus at least a few in the Mediterranean, with e total membership of 25 or

Expansion on such a scale, taking in countries with radically different economies, cultures and recent histories, is ohviously not like adding



OR EUROPE

pieces to a string of dominoes. to change the internal character of the group; more impor-tant, it cannot fail to change its geo-political signifi-

The cold war is certainly over; but we have no grounds for making optimistic assumptions about the future course of events in Russia. One reason the east Europeans want to join the Community is that they are pessimistic about Russia, and they have experience on their side. If the Community extends to

the Russian frontier, the implementation of a common foreign and defence policy will not be e dilettante hobby, as in the Maastricht treaty; it will be an absolute necessity. Do the 12 member governments underline this fect, when they blandly concede the notion of future membership for east Europe? They do not. This is just another of those dangerous truths about the choices facing the Community, about which politicians prefer to

Yet it is obvious that whole sale enlargement will require the Community to redefine its place, its size, its objectives, its constitution. In particular, it will have to redefine its relationship with Russia and the former Soviet Union; and partly as e result, it must redefine its relationship with the

Paradoxically, it is the American relationship which is the more preseing geo-strategic dilemma. For 50 years, the political geography of the world was defined by the eastwest confrontation; as a result, Europe's role was largely defined by its alliance with the US. But with the collapse of the Soviet Union, the role of the Atlantic alliance is in

Working out a new transatlantic modus vivendi for the new era must obviously be a two-sided affair. This is is what makes the erratic foreign policy gyrations of the US administration so disconcerting for west Europe. In several crises - Somalia, Bosnia and Haiti the administration does not seem to know what It is doing, But behind the accusations of incompetence, there is the more serious worry thet, in spite of his claims to the contrary, the US president is giving a generally lower priority to foreign policy - which, when it comes to peace-keeping, is apparently what Con-

gress wants.
The most immediate problem for the transatlantic alliance is how to keep Nato alive. Since 1989 the ellies have tried to inject life into Nato by adopting a new peace-time strategy. But its credibility as a defensive military alliance is bound to be uncertain, in the absence of an acknowledged enemy. Nato's dilemma is parallel to

east Europe which want to

join? In Germany last week, at a two-day meeting of Nato defence ministers, Mr Les Aspin, US defence secretary, gave a two-tone answer: on Wednesday he said no membership and no security guarantees, hut perhaps some bilateral co-operation agreemants. But on Thursday he said membership may be offered to those which qualify.

The US clearly has not made up its mind. The heart of Nato member-

ship is the US nuclear guaran-

tee to all European members.

Yet it is hard to see why the US Senate should ever agree to extend this guarantee to new members at a time when Washington is reducing its military presence in Europe. And the more the countries of east Europe appear in real need of such a guarantee (against instability in Russia), the less the US will want to provide It. Some Nato members, such as Britain and France, would prefer to prevent enlargement, for fear it could invoive a weakening of the US guarantee to west Europe. Yet the exclusion of east European countries from Nato would raise serious questions about the consequences

of their admission to the Community. It would be difficult to reconcile European defence with Nato defence if the two organisations had different memberships. The significance of the Community's probable expansion into east Europe, therefore, is that it could mark the beginning of e parting of the ways between Europe and the

ACROSS
Bird that signifies a death? (8)

What gambler is said to lay out on food (6) unusual place (8) Desert lady to some extent (6) 11 Hit man in Wales (8) 12 They may be prickly and loog

on board ship (6)

14 Consider well, being cautious 18 Make application to receive e periodical payment seemingly

22 Toy with food (6) 23 Bird demolishing acorn etc (8) 24 Condition set perhaps et start of examination (6) 25 Beaten when hard up (8) 26 Hotbead in business organisa-

tion wanting to push forward 27 Sticking at this point in modern book (8)

with names of winners on Saturday November 6.

1 Fastening known to bend (6) 2 Blazing like footballers upset

3 Is rake fit to be an emperor? (6)
4 Map ordered by oriental in French town with lots of

money (5.5) 6 Trailed round looking for pies cooked in traditional style (8) 7 At that time a Scotsman going round as a Greek citizeo (8) 8 Underlined the importance of

having an accent (8)

13 Put out of joint in the under world? (10) 15 Most imple in the bome (8)

16 Kind of group that gets under one's skin (8) 17 Talks idly about the Spanish churchmen (8) 19 English drink served up et 20 Fastening ou to main element

21 Belleve in sale on trust (6) The solution to last Saturday's prize puzzle will be published

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Population implosion: there are more older Germans and births are slowing PAGE 2

GERMANY

Polluters in revolt: heavy industry says environmental rules go too far PAGE 9

Monday October 25 1993

Chancellor Kohl has told Germans to tighten their belts and stop acting as if Germany were "a leisure park". His warning reflects a mood of national introspection as reunited Germany reviews its place in an increasingly uncertain world. Quentin Peel reports

The need to tighten belts

Standort Deutschland. It does not translate easily.

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Literally, it means Germany as an investment location. But it also begs questions about Germany's international competitiveness and its social make-up - education, culture, social welfare; and population

All these are under the microscope in the great debate on Standort Dautschland launched by Chancellor Hel-mut Kohl and his economics minister, Mr Günter Rexrodt, with their report on "safeguarding Germany's future as It is a rumbling debate which

has been worrying German political and economic analysts, and the business commumity for 10 years or more. It has suddenly hit the headlines with the simultaneous adventof German unification, the European single market; upheaval and instability in eastern Europe, and the sharp increase in industrial competition from the Far East.

The question is whether the doubts about German competitiveness represent another bout of typical German soul-searching, inspired by a sharp but temporary downturn in the economy, or whether they are a recognition of more profound problems.

"Almost all our present prob-

Kohl said in Berlin last month. We would have to solve them even if German unification had not happened. "We are not in a traditional recession. But tough times can make new thinking easier. German unity

tunity for new thinking. There are gloom-laden head-lines in the media. Der Spiegel magazine proclaims Germany's imminent relegation to the second division of manufacturing nations and its population sinking under the burden of an inexorably expanding social

is in that sense a great oppor-

There are few if any visible signs of such doom. In spite of the huge costs of unification. and the sharpest recession since the war, Germany is overwhelmingly prosperous.

The problem for Germany is in steering a sensible middle course between incorrigible self-satisfaction and profound self-doubt. "The sensible question about Germany's attrac-tiveness as a business location is not why Germany has fallen behind...but whether changes are appearing that could relegate it from its high-level position and cause a lasting deterioration in productivity and growth trends," says Mr Michael Heise, secretary general of the government's council of economic experts - the so-called five wise men.

the government and the business community, there is wide acceptance on the other side of the house - in the trade union movement and the opposition Social Democratic Party (SPD) - that it is a debate which is needed. They only disagree on the analysis. The government's view, in

debate has been launched by

the Rexrodt report, is fuelled primarily by a liberal, employers'eye concern at high costs and the infleribility of labour, compounded by warries over the souring costs of the social

state.
The trade unions, and a growing number of independent analysts, stress instead their concern over the slow pace of innovation, lack of investment in high technology, and the inflexibility of management thinking.
"The structural problems lie

deeper than high costs," says Mr Walter Riester, newlyelected deputy leader of IG Metall, the giant engineering workers' union. "We have the wrong products."

Mr Kohl himself is calling for all the sectors in the German economy to tighten their belts, from central government, through the federal states and local councils to the private sector. He also wants something called "umdenken" new thinking. "Just a few kilometres east

of Berlin and Munich, serious new competitors are growing up, with great cost advantages and increasingly impressive products," he says. "Yet we allow ourselves the luxury of being a country with ever younger pensioners [average retirement age 59] and ever older students (average matriculation age 301...With ever shorter working hours, rising wage costs, and ever longer holidays, our competitiveness

cannot allow itself to be organised like a collective leisure

The questions he is raising do not simply concern the quality and duration of educa-tion, the need to cap social income is expected to r spending with an ageing popul parcent this year. lems are structural problems of ... In spine of the fact that the lation in which one in three.



year 2030, and the need for more flexible working hours and labour mobility.

is in danger.

"The simple fact is that a successful industrial nation annual drain of at least DM150hn in resources from west to east is to cease putting an intolerable strain on the exchequer. The proportion of taxation and social insurance contributions in the national income is expected to reach 52 "It was always obvious that

unification would lead to an extraordinary demand for taxation and social contributions," says Mr Gert Haller, the new state secretary in the Finance Ministry. "As soon as possible, we must offer the prospect of this tax burden coming down." How long it will take for east Germany to achieve self-sustaining growth is the great unknown factor. In the meantime; there can be no let-up in the belt-tightening in the west.
Tackling the inflexibilities -:

whether in working hours or

energy supply - requires politi one commodity in desperately short supply. Political debate in Germany is eternal, as the parties, the federal government and the 16 states, negotiate interminably to reach a con-

The lack of decisions is a certain factor behind a growing political disaffection in the population at large, demonstrated by rising support for protest parties in the polls. And next year, Germany faces

The great concern is that the dissatisfaction with the entire political establishment will see a rise of the far-right wing parties, such as the Republicans. So far it has been expressed more in non-voting, in support for protest parties of the left, such as the Greens, or in votes for local interest groups. The most dangerous moment for Mr Kohl is in next year's Euro-pean elections in June, when voters feel least constrained by traditional loyalties. When it comes to the national poll in October, the chancellor is adamant that the Republicans will fail to get the five per cent they need for seats in the

Bundestag. Domestic issues seem certain to dominate and decide those polls: jobs, law and order, housing and immigration are all key concerns. Mr Kohl remains totally committed to the process of European integration, but he wins little applause on the issue, even from his party faithful. The worry that the mighty D-Mark may be replaced by a less stable European currency in 1999 is certainly no vote-winner, and the far right parties are exploiting that concern for all they are worth.

And yet for all the doubts and fears, the fundamental nature of the current debate is

seen by most as positive.
"I think it will work out as an advantage that we are publicly debating our shortcomings," says Mr Horst Köhler, chief executive of the German savings banks' association, and Mr Haller's predecessor as financial state secretary. "I think we will be able to make some corrections. We have not yet gone far enough. A lot of things need to be corrected in the direction of more flexibility. I am convinced we have a problem with German self-confidence. It is not very strong. In Standort Deutschland, we list all our short-comings, and then people think: poor Ger-

"But the basic structure of our economy is better placed than many, especially with the high proportion of small busipesses. The financial sector is

IN THIS SURVEY nomic overview: Politicians prepare for a

local and state elections ... 8 Germany seeks an international role; politics in the eastern Länder; Investment locations

Population is shrinking and ageing; Rexrodt's report on the competitiveness of

Consensus under strain: interview with VW's Ferdinand Pišch ...

Tighter share rules are coming; guest columnist: Thomas Mayer.

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Editorial production Maurice Samuelson Design: Robin Coles Graphics: Bob Hutchison

a major source of strength. It is decentralised, stable and sound. It is not in our interest to be at the leading edge of financial innovation.

We should encourage more transparency, and we need more competition. We are too inflexible with regard to hierarchies. We need to organise society so that everybody bas the feeling of participation, of injecting ideas and creativeness into concrete projects. That is the challenge, not sim-

Europe's maritime interests - "yes" to the EC initiative.



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KEY FACTS

Population

356.854 sq km ..80.046 million

Dr. Richard von Weizsäcker

Economists are confused, says Christopher Parkes

Fickle barometers

time, the myriad analysts of the western German economy are demonstrating admirable caution - and confusing diversity - in their preliminary forecasts for 1994. The range extends from a further decline of around 0.5 per cent in gross domestic product to growth of 1 per cent.

Most optimists base their expectations on a heady mix of reviving demand in European Community markets, low pay awards, and faith in govern ment promises to screw down public spending which, in turn, will encourage the Bundesbank to screw down short-term interest rates.

The pessimists point to fad-ing domestic demand, stubborn inflation, the difficulties of persuading unions to accept further real income cuts and the effects on export prospects of a etrong D-Mark.

Since private sector analysts still cannot agree oo the outcome for the economy in the current year (although most have more than doubled their early forecasts to a drop in output of more than 2 per cent) the degree of variance is bardly surprising. The recession, by commoo consent, has been the worst since the war. and to some extent the path out of the slump is unknown.

The statistics do oot offer much of a clear pointer. though the picture they have giveo of performance over the past year is bleak enough. For four consecutive quarters from the second quarter of 1992 until the first quarter of 1993 west Germany's gross domestic product was actually shrinking: reaching its most negative rate of minus 1.5 per cent at the beginning of the year. Perhans thanks to that particularly sharp downturn, it showed a 0.5 per cent recovery in the second quarter, and the question is now whether that does indeed mark a bottoming

out of the recession. Industrial orders in the west have shown conflicting signals: up 2.9 per cent in May, down by 1.6 per cent in June, up again by 2.3 per cent in July. and down a provisiooal 2.0 per cent in August, according to the Bundesbank. West German

Millior 25	 %-c	hange ov	er previous y	694 894
20 - Inflation (%)	\bigwedge			8% 4%
Unsemployed (million)	7:77 			296

other hand, showed a 2.2 per cent recovery in August, after two consecutive months of slight decline. The economics ministry in Bonn firmly believes that the worst is over, citing a very gradual improvement also in the mood of the business community.

Inflation looks set to ease gradually, after a peak of 4.3 per cent in the cost of living index in the first quarter, reached again in July. It was down to 4.2 per cent in August and 4.0 per cent in September. In east Germany, it was again looking steady at around 8.9 per cent, reflecting the continuing adjustment of low administered prices in the old

As for the unemployment outlook, that is still unequivocally bleak: seasonally adjusted unemployment has increased steadily throughout the year in the west, from just under 2m at the turn of the year to 2.38m in September, a rate of 7.7 per cent. In east Germany, It is sticking ataround 15.2 per cent, or around 1.16m workers. Forecasts suggest continuing lay-offs through 1994, leading to a possible jobless total of 4m by the

end of the year. That all this translates into a structural crisis in which the German economy has lost its attraction as an investment location is not universally accepted. According to the local branch of the Arthur D. Little consultancy, the Standort Deutschland debate is too introverted and tends to ignore industrial production, on the external views. A poll of 50

senior foreign executives discovered 76 per cent eaying "yes" immediately when asked if they would invest in Ger-

While those questioned readily listed the familiar disincentives of high labour costs and taxes, bureaucracy and economic and political uncertainty, they had no doubts about the attractions: the size and wealth of the German market; proximity to eastern Europe; qualified, motivated workers; infrastructure, and a stable legal framework.

Nevertheless, there is no mistaking the new sense of realism that is abroad, in both public and private sectors.

Economists expect overall industrial and public sector pay awards for 1994 to equal or even undercut the expected inflation rate, thus taking another twist out of the inflationary spiral. They are less sure about the politicians' efforts, especially since Germany will spend much of next year in a frenzy of state and local elections, ending with the federal polls. There has already been some

progress. New rules on prescriptions and a compulsory freeze on drugs prices, introduced last January, bave already saved billions of D-Marks in federal subsidies to the over-loaded statutory health insurance schemes. Bonn has also saved by winkling out social security fraudsters and tax dodgers. It plans cuts in unemployment and welfare benefits, but has yet to implement most of them. Even

Deutsche Mark (DM) CHITERICY 1991 \$1=1.6595 DM Average exchange rate 1992 \$1=1.5617 DM **ECONOMY** 1992 1991 1,932.2 1,691.3 Total GDP (\$bn). 1,578.7 ,781.0 Western German GDP (\$bn). 151.2 112.5 Eastern German GDP (Sbn)... Pan-German GDP growth (%) -14.0 9.7 East German GDP growth (%).... Components of GDP (%)... 56.8 Private consumption. Total investment... Exports minus imports. -25.99 Current account balance (\$5n).. -19.71 406.53 378.61 Exports (\$bn)... 354.68 23.96 374.18 Imports (Sbn). Trade balance (\$bn) inflation and unemployment. Latest Inflation rate (%) 4.0 11.1 4.2 West Germany (%) 8.9 Unemployment rate (%)2. West Germany (SA) 14.9 15.8 East Germany (NSA) Unemployment level (000's)2... 2,212 1,991 West Germany (SA). East Germany (NSA). Discount rate (%)3.. 6.25 a month interbank rate (%)3.... 8.85 6.72 6.06 10 year bond yield (%)3. 7.19

(1) Inflation rate is 1992 average, Jan-Sept 93 average (2) Unemployment 1992 average, Jan-Sept 93 average (3) Interest rates at end December 92, end September 93. (4) Reserves at December 92, August 93. Sources: Datastream, Eurostat, IMF

if it does, sceptics say, the planned economies seem unlikely to materialise because of the rapid increase in unemployment stemming from industry's rationalisation efforts.

Official foreign reserves (5bn)*....

Meanwhile, regional and local authorities, mostly controlled by the Social Democrat opposition, and naturally loath to listen to pleadings from Bonn, have tried to offset their still-rising deficits by cranking up charges for local services such as rubbisb collection. Excluding the billions of bor-

rowings by the post office, Deutsche Telekom, railways and the Treuhand privatisation agency, the general government spending deficit this year is expected to reach DM150bn, or 5.5 per cent of GDP. although the proportion is scheduled to fall to 4.5 per cent in 1994. Including the "off-bud-

get" extras, the figure rises to DM230bn. The Bundesbank has made no secret of its concern thet it is government borrowing which is driving monetary growth to unacceptable levels. Looming increases in taxes on fuel and insurance will tweak inflation further. Meanwhile. the coalition continues to undermine its own credibility by nibbling round the edges of major structural problems. One example is the extraordinary debate about how best to pay for care for the elderly and infirm while the entire old-age pensions system threatens to collapse under pressure of the rapidly ageing population.

As Mr Michael Heise of the government's independent council of economic experts has noted, fiscal policy is a determining factor for Germany's attractiveness as a location for business.

■ Regional focus: BADEN-WURTTEMBERG

When Daimler is ill

the south-west of Germany has traditionally been the Land with the highest income in Germany, the lowest unemployment, the highest innovation and a greater proportion of exports than Germany as a whole.

But Baden-Württemberg's fortunes have turned since the beginning of the German recession in the second half of last year. Far from proving resilient to the downturn, it has turned out to be more vulnerable than the country as a wbole. Within a year unemployment has risen from 4.6 to 6.7 per cent and in the first six months of the current year the state's GDP fell by 4 per cent compared with a downturn of 2.6 per cent for western Ger-

This sudden swing reflects the fact that Baden-Württemberg's former strengths have become weaknesses. The Land is dominated by "old" industries such as machine-tool manufacturing, the automobile sector and its suppliers, areas of the economy which are particularly badly hit in the cur-

rent downturn.
Baden-Württemberg used to export more than the average for western Germany - now its manufacturers are suffering from the double impact of a strong currency and a decline in world demand for investment goods.

Another former strength which has evolved into a weakness is the predominance of family-owned businesses, the so-called "Mittelstand" of small to medium-sized companies which constitutes the backbone of the regional economy. Baden-Würtemmberg prides: itself on being the home of the so-called "Tüftler", the person who refuses to stop trying to solve apparently unsolvable problems. Combine this technical bent with a fierce streak of independence and you have the classic Swabian Mittelständler (Swabla is the former Württemberg in the eastern

part of the state).
Of course Baden-Württemberg is home to some of the giants of German industry for example Daimler-Benz and Bosch. Less big but just as famous is the Porsche luxury and well-known enterprises grew from Mittelstand roots: they were founded by technically-minded entreprenaurs such as Claudius Dornier, Gottlieh Daimler, Carl Benz, Ferdinand Porsche or Robert Bosch

all typical "Tuftlers". The bigger companies have traditionally shared the Mittelstand ethos - "a unique combination of the traditional and the innovative" as researchers from the University of Wales College of Cardiff recently described it (*).

Clustered around Stuttgart, in towns such as Ludwigsburg. Böblingen, Sindelfingen. Esslingen and Göpingen , smaller companies have prospered from supplying their larger neighbours.
But when Daimler sneezes.

the state of Baden-Württemberg catches a cold. Gripped by a massive recession in the European car industry, Daimler has more than sneezed - it is suffering from a form of corporate double pneumonia. It has reacted by chopping its workforce (in 1992-94 the group will shed 60,000 jobs) and put-

Daimler has more than sneezed -- it is suffering from a form of corporate double pneumonia

ting pressure oo its suppliers. The prognosis for Mittelstand suppliers to Daimler and to Volkswagen, the other beleaguered giant of the German automobile industry, is bleak. In a recent study, the accountancy firm Price Waterhouse predicts that only 500 out of the 3,000 German components suppliers will survive the current shake-out,

The outlook for the machinery manufacturing sector is hardly brighter. Baden-Württemberg has the largest number of machine-building and tool-making firms, employees and per capita turnover anywhere in Germany, with 43 per cent of the firms based in and around Stuttgart. Orders for the sector are down by 70 per cent from three years ago, reflecting the disappearance of traditional export markets in

the former Soviet Union and

Flow testing of blade profiles

BADEN-WURTTEMBERG in car company. Even these large elsewhere in eastern Europe as

strength of the D-mark. The result is that manufacturers are obliged to join forces in order to survive. For example Friedrich Deckel and Maho two of Germany's best-known machine-tool manufacturers which between them have 40 per cent of the German market milling and boring machines, have merged outright. Others have embarked cooperation strategies which bring an end to individual companies' highly-prized independence. This would have been unthinkable even two

years ago. So what does the future hold for Standort Baden-Württemberg? Will it be able to regain its status as e "Musterlandle". the model little Land of the local dialect? Or will it sink

further into difficulties? Pessimists point to the region's heavy dependence on old-fashioned manufacturing industry and a comparative lack of service sector businesses. Optimists herald the virtues of the hard-working, highly educated workforce, the adaptability and resilience of the state's entrepreneurs, and the matchless educational and scientific infrastructure (nine universities, 23 polytechnics, three large-scale research facilities, 11 Max Planck Institutes, 14 Fraumhofer Society facilities

State See Leading

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and so on). In Baden-Württemberg as in the rest of Germany, companies bave responded to the recession by cutting costs. This is reflected in the climbing unemployment statistics and in the decision of numerous companiee - starting with Daimler-Benz itself - to establish cheaper production locations abroad. For all its enviable tradition as a

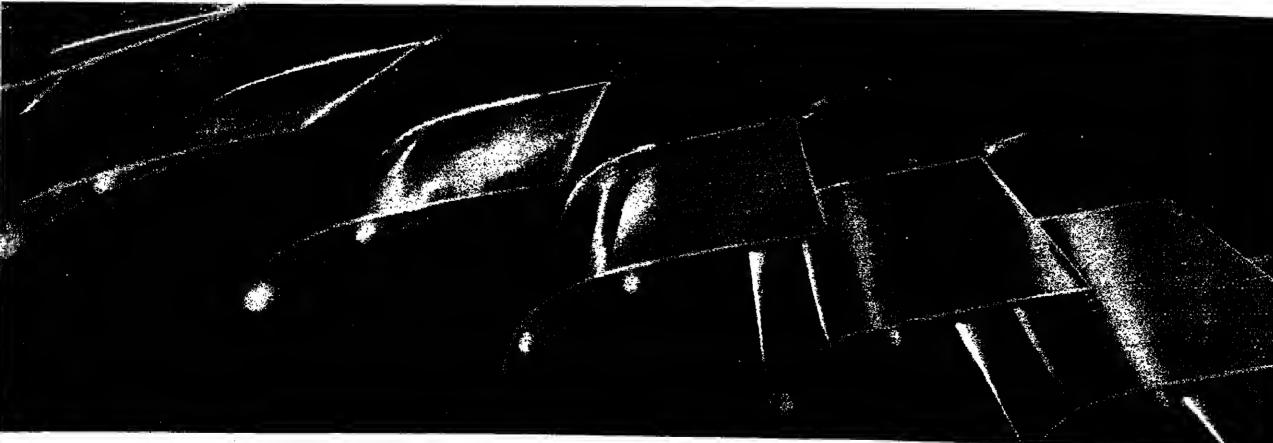
manufacturing centre, Baden-Württemberg will have to fight hard for its future. "The Future of the Mittelstand: Collaboration versus Competi-

tion, by Philip Cooke, Kevin Morgan and Adam Price: A Regional Industrial report from the Department of City & Regional Planning, University of Wales College of Cardiff, PO Box 906. Cardiff CF1 3YN.

David Waller

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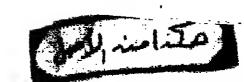
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THE prospect of no fewer than 19 separate elections in Germany next year is enough to atrike horror into the heart of the hardiest party campaigner. Worse than that, the outcome of the final vote in the "election marathon", the poll for the federal parliament itself, hangs on no more than a couple of percentage points

cast for the fringe parties.

The situation could scarcely be less predictable. And the country is suffering from wea-riness with the political pro-

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The major parties are already manoeuvring for advantage, and the legislative machine in the national parlia-ment is rapidly running out of ateam. By the second half of 1994, when Germany is supposed to take over the rotating presidency of the European Community, the country is going to be totally involved in its own internal politics.

Chancellor Helmut Kohi wants to talk about fundamen tal questions of Germany's international competitiveness, its need for major structural reforms, its place in Europe, and its international responsibilities. But the recession, taxation, unification costs, and unemployment mean that the agenda will be overwhelmingly domestic and near-term. Moreover, nobody is ready to reach conclusions on those major

There has been a steady drift from traditional political parties

structural questions when a change of government could be coming next autumn.

So much for the downside. For the political analyst, however, next year's plethors of polls will provide a fascinating insight into the shifting allegiances of a united Germany, and some crucial indicators for the future political direction of

the country.

One thing is clear: there has been a steady drift from all the traditional political parties, in favour of non-voting (the largest group), the Greens, an assortment of far right-wing parties such as the Republicans, the Democratic Socialist Party (PDS) - the former Communists in eastern Germany and local interest groups.

In the latest opinion polls, Chancellor Helmnt Kohl's Christian Democratic Union (CDU), and its sister party, the Bavaria-based Christian Social **GERMANY 3**

A flood of elections will soon engulf the country, says Quentin Peel

Political traffic jam may forge coalition



Union (CSU), have slipped from a combined vote of 43.8 per cent at the last alection in December 1990, to popular support of less than 30 per cent. If there were elections tomorrow. the pollsters say, they might recover somewhat to around 36 per cent.

Their weakest support is in east Germany, key to the alection victory last time, where the CDU is running at barely 21 per cent support. Mr Kohl's

known Mr Steffen Heitmann. the Justice Minister of Saxony, to be his candidate for the state presidency, seems to have alienated more easterners than

The opposition Social Democratic Party (SPD) is doing little better, in spite of the sharp recession in the German economy, high unemployment, and general dissatisfaction with the government. Current support stands at around 35 per cent, choice of the previously-un- and in an alection the party

it has won.

the polisters say. What is most peculiar is that the opposition is not doing better.

The hig question is whether aither CDU or SPD can recover enough support over the coming year to put together a "nat-ural" coalition on the left or the right - or whether they will be condemned to form a "grand coalition" together. because of the splintering of the vote to the protest parties.

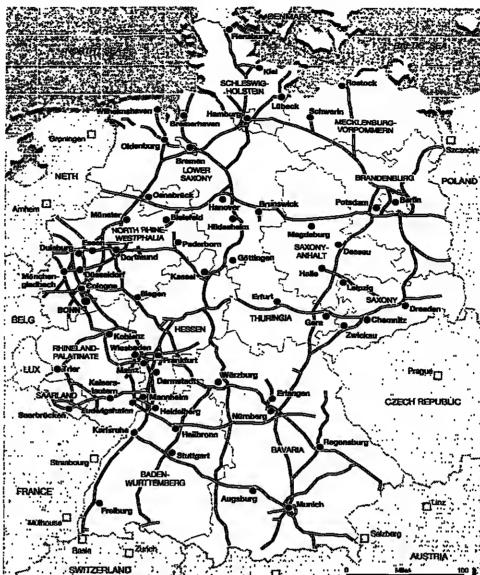
The Greens, now allied with Bundnis-90, the loose left-wing alliance of democratic parties thrown up in the wake of the east German revolution, are clearly doing best of the pro-test parties. In the most recent they almost doubled their vote from 7 to 13.5 per cent, and are negotiating to form a coalition in the atate parliament with the SPD. Such a red-green coalition also appears a distinct possibility in the national alections next year, for tha Greens are currently supported by at least 10 per cent of voters The SPD leadership is torn.

Of the protest parties, the Greens are

clearly doing best

Mr Rndolf Scharping, the young and competent, but thus-far uninspiring new leader of the party, knows that the issues which will decide the 1994 campaign are parochial, and largely economic: jobs, housing, social benefits, as well as law and order, and immigration. On most of those issues, an alliance with the Greens might be an electoral disadvantage. Only on popular environmental issues - no longer at the top of the recession-hit political agenda - would an electoral pact obviously help the Social Democrats.

The Free Democrats (FDP), the junior partner in the ruling coalition, and the king-makers in German politics ever since the federal republic began, are as affected by the anti-establishment mood as anyone. In Hamburg, they failed even to gain the 5 per cent necessary



to get into the city parliament. In the national polls, they are imping along with less than 10 per cent support. If neither they nor the CDU/CSU can improve significantly, the current conservative-liberal coalition is doomed.

The most likely outcome is a grand coalition of CDU/CSU and SPD, just as happened in 1969. Mr Kohl and Mr Scharping are similar politicians, albeit of different generations. They are men of consensus,

prepared to negotiate - and both coma from the same neck of the woods, in the Rhineland-Palatinate. Indeed, Mr Kohl is said to have a sneaking respect for the way his rival, through sheer hard campaigning at the grassroots, managed to displace the Chancellor's own

Mr Scharping is desperately trying to turn his party into one seen as "capable of government", rather than the squabbling collection of teachers and evangelists that it all too often appears to be in opposition. He is seeking to move into the centre ground of German politics, vacated as Mr Kohl moves to the right to heed off the Republicans. Neither wants to talk about

CDU from power in the state in a grand coalition. Both deny they want one. But both know y may be condemned to live with one. The key lies with the protest parties. If the Republicans and the

PDS, to name the two most likely contenders, both just fail to make the 5 per cent cut-off point needed to get into the Bundestag, then it might well be possible to put together a red-green coalition, or a con-servative-liberal coalition, with less than 50 per cent of the votes. But if either or both of them do win seats in the Bundestag, then a grand coalition becomes almost inevitable.

The Republicans are no longer picking up significant new support in the polls. They failed to make 5 per cent in Hamburg, by a whisker mainly becausa their bitter right-wing rival, the Deutsche Volksunion (DVU), was also running. They have bean tarred with the brush of skinhead violence against foreigners, which clearly loses them support, not the contrary. The PDS is unlikely to win 5

per cent nationally on the basis of its localised eastern support, but it could win three direct mandates to parliament - an alternative route to the Bundestag. Then the party as a

whole can claim seats. Even before the October poll. the main parties will face a gruelling test in the European elections in June. German voters have traditionally used the European poll as a useful chance to let off steam, and vote for the protest groups. So the chances of big votes for the

The state elections could see a backlash against the party in power

far-right and the Greens are much better. Mr Kohl knows that a big pro-Republican vote in June will have a terrible effect on Germany's image abroad, even if voters return to the fold for the state and national elections.

Any or all of the state elections could start a tide running for or against a particular party. Of the seven in prospect, the SPD rules in two, the CDU in four, and the CSU, as always, in Bavaria. The chances are that all will see a backlash against the party in

Mr Kohl is relying on his own solid stature, as the one familiar, reassuring father figure, to bring tha faithful back to his party, especially at a tima of economic recession. Judging by the steady haemorrhage of support he is seeing at the moment, it will be an uphill struggle.

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Andrew Gowers on Bonn's foreign policy dilemmas

Tense new world

WHEN a phalanx of steps in the direction steelworkers descended on Bonn to demonstrate against plant closures, they painted their hardhats blue. It was a joke of some sophistication.

As blue is the colour of United Nations military beadgear, the workers were making a sarcastic comment on the obsessive, and sometimes arcane, debate in the capital concerning German participation in UN peacekeeping operations. Only if they wore blue helmets, they were saying, would Bonn heed them.

That small incident illustrates a wider problem for German politicians as they struggle to define a foreign policy for their newly unified country. With the ending of the division of Europe, Germany is having to contemplate assuming a political role in the world and in Europe more commensurete with its economic might. But its own citizens are more concerned with the bread and butter issues of recession, job losses and immigration. The result, rather than a clarification of foreign policy issues in the public mind, has been

continuing confusion. The good news is that the German political establishment has begun for the first time since the second world war to articulate clear arguments concerning the country's national interests - itself a taboo phrase until recently. The difficulty lies in putting these principles coherently into practice. The UN is an important sym-

bol both of the country's need to find a world role beyond the assigned by the victorious allies after the second world war, and of its difficulty in doing so: even as the government pursues its low-key campaign for a permanent seat on the Security Council, it remains politically - some say constitutionally - bamstrung in doing more than taking a small part in peacekeeping in Somalia and Bosnia.

To have sent a contingent of German troops to Africa for the first time since Rommel and to have provided German personnel for Awacs reconnaissance flights over the former Yugoslavia are already big

demanded by Germany's allies. But even those "out of area" gestures remain the subject of tedious tussle between the coalition partners, the opposition SPD and the constitutional court that illustrates how much further Germany has to go before it will feel comfortable in its new guise.

"Given where we started from, it's quite astonishing how far we've got," says Mr Karl Lamers, foreign affairs spokesman of Chancellor Kohl's CDU who last summer produced a thoughtful paper on German foreign policy interests. "But measured against what we need to do and against our own demands for a common foreign and security policy in the European Community, it'e still much too

For a variety of reasons, sim-

With rightwingers increasingly wary of the EC. foreign policy could be an electoral issue

ilar ambiguities apply in Ger-

many's approach to other mul-tilateral organisations that are arguably of greater national interest. In Nato, German politicians have to weigh their Anast over developments to the east and their desire to maintain and strengthen the transatlantic alliance - a complex balancing act that reflects Germany's pivotal position on the fault line between eastern and western Europe. Instability in the east affects Germany more directly than any other western country: one fruit of that are the hundreds of thousands of asylum-seekers that have flocked across its eastern border since 1989.

The imperative identified by

all mainstream politicians as a result is to integrate the eastern countries into western political and economic structures as fast as possible: in Mr Lamers's catchy phrase, "our future does not lie in the east; the future of the east lies in the west". That means principally bolding out the prospect of eventual EC membership to Germany's central European neighbours - though until the violent events in Moscow earlier this month prompted some careful backtracking, there were also voices (notably that of Mr Volker Rühe, defence minister) suggesting these countries should also be brought rapidly under the Nato security umbrella.

In the European Community - cornerstone and central pillar of German policy since the 1950s - the halancing act is becoming harder and more eensitive still. On the one band, as the Community's strongest member Germany is discovering that it bears beavy political and economic respon sibilities towards its neighbours; on the other, its ability to fulfil them is seemingly undercut by the domestic problems which have followed uni-

This is a thorny dilemma not least for a man of instinctive pro-European convictions such as Mr Kohl - and it is linked to the debate over Standort Deutschland. Unless and until it sorts out its own economy. Germany will not be able to play its full part as the engine of European integration: but if German institutions accord priority to domestic problems - as has the Bundesbank in repeatedly refusing to eccelerate interest rate cuts this year - Germany stands accused by its partners of

Prof Karl Kaiser, head of a leading Bonn foreign policy think tank, says Germany's current difficulties are hampering its effort to come to terms with the international conse quences of unification: "We are in the midst of redefining our political role as the leeding economy and currency of Europe. But the structural and temporary weaknesses of the economy potentially undercut such an effort."

For Mr Kohl - who warns constantly of the dangers of a "renationalisation" of policymaking - and for his foreign minister, the Free Democrat leader Mr Klaus Kinkel, the answer can only be more Europe, not less - a relaunch of the EC now that Germany has been allowed by the constitutional court to ratify the



Father figure: a 14 tonne brase statue of Kaiser Withelm I is installed at Koblenz on the Rhine 48 years after US troops dynamited the original

Maastricht treaty, a continuing push for economic and monetary union, an eventual streamlining of EC institu-

But in striving for all that, he faces formidable problems. First, there is the relationship with France, which has in the past year suffered greater stress than at any time in the past two decades. From monetary and exchange rate policy to the future of the Uruguay Round multilateral trade negotiations, significant differences of emphasis have emerged between Paris and Bonn.

While these have not fundamentally impaired the Franco-German axis at the beart of the Community, they mean that co-operation has been tinged with mistrust and potential misunderstanding, and Mr Kohl is having to work hard to prevent this from developing into something worse.

On the Gatt trade talks in particular, a damaging row among Community leeders later this year cannot be ruled out - and Mr Kohl will be torn between a desire to accommodate French concern over farm exports and Germany's overwhelming interest as Europe's top trading power in seeing the Uruguay Round completed. Second, the prospects for Emu itself remain deeply

murky. Behind the exchange rate turbulence of the past year lies a deeper uncertainty as to whether it will ultimately be possible to reconcile Germany's instinctive attachment to monetary stability - and the Bundeshank's statutory duty to uphold it - with its European partners' desire for genuine co-determination in monetary matters. If es the 1999 deadline for phase three of monetary union moves closer that uncerteinty is not resolved, the whole project

could collanse Third, and no less important, Mr Kohl will have to contend with an insistent, and growing, mood of popular scepticism towards aspects of European integration in Germany itself especially towards the replacement of the D-Mark with a common currency. He badly miscalculated the degree to which Emu would prove acceptable to his own people in the first place, and accepts that the Bundestag will have the final say on whether phase three will proceed.

With important voices to his right calling for a slowdown in the process, the Chancellor will have to play his cards carefully to prevent the EC, and foreign policy in general, from becoming an electoral

Judy Dempsey looks at east German democracy

Slow awakening

IN eastern Germany, the files have been used. The law emergence of new, indigenous political elites has been painfully slow in contrast to the rise of a small entrepreneurial

But if eastern Germany is to be politically, psychologically, and socially integrated into the concept of Standort Deutschland - Germany as an investment centre - it will require local political elites in eastern Germany to achieve this.

Throughout the five eastern states, a two-tier system of the organisation of power at the highest level has emerged. With the exception of Mr Manfred Stolpe in Brandenhurg, the only Social Democratic prime minister in the region. and Mr Berndt Seite from Mecklenburg-Vorpommern, the prime ministers are all from west Germany.

Admittedly, the premiers are flanked by ministers, many of whom are easterners. However, the state secretaries are west erners. The case can be easily made that the cooperation between easterners and westerners on the state level in eastern Germany has been crucial for politically integrating the country, and for training a new administration.

But it is not as simple as that. Easterners have been wary about becoming involved in politics at the state level because of the past - a past dominated by the Stasi, the state security system.

It was an extraordinarily sophisticated and insidious system. In its final days, as Fritz Stern pointed out in a recent article in the Washington-based Foreign Affairs, the Stasi consisted of 97,000 full-time employees, and perhaps as many as 140,000 unofficial collaborators. Moreover, about 2m out of a population of 17m were members of the SED (Socialist Unity, or communist party), thus ensuring some connection - however slight with the Stasi. The 100 miles of Stasi files are testament enough to its hold over the society: the system was designed to implicate as many

people as possible. Because of the ubiquity of the Stasi system, an emotional debate has been taking place in Germany about the way the

opening the files, which went into effect on January 2, 1992, allows government agencies to request background checks on their employees. Thousands have since been dismisssed. But precisely because the files are still open, the easterners have been placed in a position where they have been inhibited about speaking out about the process of unification, or about being actively involved in the political process. They are never sure if they will ever

be deemed "clean". For example, every civil servant has to take an oath of loyalty to the constitution. If an easterner is regarded as "clean" in the sense that no incriminating evidence has emerged from the Stasi files. he or she can join the civil service. But the files are not closed. A person is still under suspicion for a further three years - just in case a separate

Easterners hestitate to become involved in state politics because of the shadow of the Stasi files

file implicates them with some connection with the Stasi. The shadow of the past hangs over them. Paradoxically, the newly-found freedom has had the bizarre and disturbing effect of silencing them.

The voice which speaks on behalf of the eastern Germans is the voice of the western German official. Yet in a strange way some easterners are perpetuating this unequal relationship by insisting that the files be kept open. Some of the inudest proponents include Mr Stef-fen Heitmann, the presidential candidate of Chancellor Helmut Kohl's governing Christian Democratic Union party. Yet this entire process is having a debilitating effect on political life in eastern Germany. The eastern Germans have been made to believe that the past 40 years have been

Prominent west German politicians and intellectuals, including Egon Bahr, the former Social Democratic federal minister, believe "enough is enough" and support an

amnesty for those waiting trial, or already charged. They argue that the constant judging - if not hounding - of a cross section of east German society will not only perpetuate the paralysis of political life in eastern Germany; it will deepen the sense of mistrust between eastern and western Germans. The case of Mr Gerhard Riege, an east German deputy in the federal parliament in Bonn explains why.

Mr Riege committed suicide in early 1992 after it had been reported that he had been a Stasi informer during the

His death provoked a pas sionate response from Mr Hermann Scheer, a west German, and Social Democratic party deputy. "We are living through a public witch-hunt that is unworthy of a democratic state. A country that allowed former SA members and Hitler Youth graduates to rise to high government positions has no right to condemn a man like Gerhard Riege because he had contact with the Stasi from the

age of 24 to 30." President Richard Von Weizsäcker has frequently added his weight to the debate. "The (Stasi) files always reflect the view of their masters. They do not lie in this, but they are one-sided and must be evaluated. They are not an objective or moral authority.

The elections next year could well convey the sense of disappointment and disorientation among eastern Germans, perhaps through a low turn out and a swing from the estab-

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lished political parties. The disappointment is caused not just by high unemployment, or failed expectations raised by Chancellor Helmut Kohl when he said in 1990 that eastern Germany would be a 'blossoming landscape in a few years", and that "no one would be worse off after unification". It is a sense of powerlessness fuelled by the feeling of imposed shame; the loss of the Voice because its words are not believed; the loss of the spontaneity and civic courage which helped to break down the Berlin Wall. If Standort Deutschland is to have any political meaning, it must help break the silence in the east.

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■ Eastward investment: EILENBURG IN SAXONY

Why the Finns came to town

FINLAND'S and Europe's largest paper manufacturer, could have chosen to build its new recycling plant in western Germany, or in another European Commu-nity country. Instead, it decided on the eastern German state of Saxony, writes

"We had looked around other states in eastern Germany. The decision was close. In the end, we opted for Eilenburg, a small town near Leipzig," said Mr Jukka Hāmālā, the president of Enso-Gutzeit.

Many factors inflneuced the gronp's final decision to expand into paper recycling in eastern Germany. It received investment grants of between 15 and 20 per cent for a greenfield site on which It will build a recycling paper mill costing DM800m. And, taking into account tax relief and special depreciation allowances, Gutzeit reckons its investment outlay will be about 55 per cent of the total amount.

But it was not only the financial incentives which brought the Finns to Saxony. "There was the minimum of red tape," explained Mr Kari Vainio, head of communications at Gutzeit. "We started negotiations two years ago in November. One ning. This is really fast. We had the maximum of cooperation. None of it was fake. It was a really constructive relationship with the local authorities," be said. The site, which cost ebout DM10m, was bought not from the Trenhand, the agency charged with privatising and

restructuring eastern German industry, but from the local authorities of Saxony. This time next year, Gutzeit will be on schedule to produce at Eilenburg 280,000 tonnes of newsprint, primarily from recycled paper and it will employ about 350 people. By 1995, 160 per cent of the

per. The mill will have a capacity of 320,000 tonnes a year. But while investment incentives and a flexible local administration smoothed Gutzeit's road to Eilenburg, there is little doubt in the mind of Mr Kai Korhon managing director of Sachsen Papier, (the name of the plant), about the importance

operations will be based on recycled

of Saxony's geographical and cultural location. "Think about the traditions of this place," he said. For well over a century, Saxony, and Leipzig in particular, was one of the great European crossroads. Today, it is two hours drive from Berlin, slightly longer to

Prague, and four hours to Munich. "Look at the market out there," said Mr Hārmālā, on the day be laid the foundation stone at Eilenburg under a bot, cloudless day. "The media and newspaper market is growing in western Germany, and especially in eastern Germany. We cannot ignore the growing demand in the countries of eastern Europe. By being bere, we will be in a position to capture these markets," he added.

The German market alone accounts for 15 per cent of Gntzeit's net turnover

which last year totalled DM3.2bn. The European Community countries together account for 60 per cent of its net sales. Net sales and total exports world wide account for 80 per cent of the group'e annual turnover. "With this profile, it is clear we had to expand into the German market and also use it as a stepping stone

into eastern Europe," said Mr Vainio. "
Saxony's cultural traditious played an important role for Gutzeit's decision as well. A major publishing centre in the last century, this proud and increasingly self-confident state has retained its traditions and expertise in this field.

There is also an infrastructure in place. Dentsche Telekom, for example, has already invested DM850m in Leipzig alone to support the expanding graphics, book publishing and printing sectors. Guizeit is

not alone in coming to Saxony.
Since late 1990, when the Treuhand embarked on its privatisation programme, the state, led by Mr Kurt Biedenkopf, has attracted DM45.1bn worth of invest commitments and bas secured 426,661 jobs through these sales. Of the 3,797 enterprises and property sold by the Tren-hand, more than 230 have been bought by foreigners who have invested DM3.7bn in: the state, and have guaranteed 30,000

Mr Vainio'e only comment in explaining the high level of investment in the region was short and to the point. "We believe in

■ Westward investment: KAISERSLAUTERN ON THE RHINE

Setting for an Opel

DAVID HERMAN, chairman of Adam Opel, is not a man to sit quietly and brood about the frustrations and disadvantsges of manufacturing in Germany. Since he arrived to take charge at General Motors' brightest subsidiary this year, be has missed few opportunities - on a speaking platform or in interviews - to grumble about absenteeism, high labour costs and inflexible working practices, writes CHRISTOPHER PARKES.

And yet there he was in mid-August announcing that a DM500m investment in diesel engine manufacture, employing 475 and with capacity for 250,000 low-emission power units a year, was to be made in the company's Rhineland Palatinate plant at Kaiserslautern in preference to nine other options including the UK, Australia and Hungary. The decision was, he proclaimed, e signal that Opel still had faith in Standort Deutschland

Apart from the 14 per cent contribution to the cost from the federal and regional governments and the European Community regional fund (the Rhineland Palatinate is being especially hard hit by the with. drawal of US forces from Germany), there were plenty of sound and logical strategic and commercial reasons why Kaiserslautern should be the natural first choice,

it has been built up since opening in 1966 as a main supplier of important components to Opel group factories - including Vauxhall and Saab - all over the world. Its staple output of sngines, body parts, plastics, and rear axles was expanded in 1989 by the start of drive-shaft production. Power-assisted steering units joined the range in June this year. Because of previous rationalisation, the site had the necessary space available

together with a reserve pool of

Employing more than 5,000,

experienced and skilled engi-But the clincher was a

benchmark agreement with the workers' council in which group working was bundled together with other ideas relatively new to Germany. As a result, the new production facilities will rnn round the clock for five deys a week, uninterrupted by the customary stoppages for shift changes and breaks. Maintenance work will be carried out on Saturdays as a part of the normal working week.

While none of the elements

in the package can be described as new to manufacturing practice, their combination and implementation in western Germany marked something of a break-through.

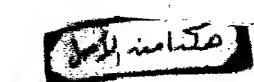
nese-style working practices

Starting on a greenfield site with ample job-bungry former employees of the old Wartburg works on hand, management was able to introduce US/Japa-

from the start. As a result, the plant, open for just over a year, has just hired a further 500 workers to man a third shift. This made only a small dent in eastern Germany's unemployment figures, but it was a nota-ble achievement in a sector which has been preoccupied for most of this year with arranging short-time working and job cuts.

The Kaiserslautern deal did not go unnoticed among hardliners elsewhere in the motor industry.

It was denounced from Wolfsburg, headquarters of the rival Volkswagen group, as an "attack on the economic structure of Germany". Opel officials thought that was "a funny thing to say" - especially since Mr Jürgen Gebhardi, the former plant man-ager at Eisenach, who did all the negotiations with the workforce, was promptly poached and made a main board director at VW's Audi subsidiary.



The population is getting steadily older. The implications must be faced now, writes Andrew Gowers

"THE Germans are dying out". Back in the early 1980s, the slogan was popularised by novelist Gunter Grass in the subtitle of his short story Kopfge-burten. Ten years on, the prospect of a shrinking and ageing population is moving closer to reality – and is beginning to become a central preoccupation for Germany's chat-

emocracy

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All over the land, people are marrying later, having fewer children and living longer. with the result that the number of Germans has already been declining for some time, to a current 72m out of a total population of 80m. Within another decade, however, it is certain that Germany's overall population will embark on a steepening decline.

Suddenly, the experts fear, Germany will face a structural crisis with which it is illequipped to cope, as a shrinking working population bears the burden of an increasing number of old-age pensioners and as Germans themselves come to terms with the proportional increase of foreigners in their midst. The far-reaching consequences could affect every aspect of the way the country organises its political, economic, social and external

"It is like having termites in your house," says Meinhard Miegel, co-author with Stefanie Wahl of a study of the demo-graphic problem just published by the Bonn-based Institut für Wirtschaft und Gesellschaft*. "On the surface everything looks fine, but all of a sudden it collapses. This house looks sound at the moment and will continue to do so for some time

A story of births, deaths and marriages to come. Then, in the early part of the 21st century we will

Mr Miegel uses colourful metaphors for effect. In a sense, the challenge confront-ing Germany is the same as that faced by most of the developed world. In all the leading industrial countries, pressures on the welfare state are gro ing as a result of falling birth rates, longer life- spans and increasing immigration.

But Germany's problem is still more acute than that of its European neighbours and Its American and Japanese trading partners, for several reasons. First, it is further ahead in the population cycle: the number of Germans started to decline 20 years ago, while most European nations were still in a phase of gentle growth; as e result, Germany already has a proportionately higher elderly population.

Second, although the problem has been disguised np to now by waves of immigration m the 1960s and late 1980s, that in Itself has created difficulties thanks to Germany's failure to integrate most of the new inhabitants into its society. Such difficulties can only proliferate in the years ahead.

Third, Germany'a history in this century has seen to it that population decline in the early decades of the next will seem especially acute, in the Nazi years, there was a sudden

surge in the birth rate as Ger-mans were told it was part of their patriotic duty to procreate. The offspring of that baby boom are now getting on in years and in another decade will be starting to die off in significant numbers.

The numbers can be stated with almost predestined precision, for they reflect a secular trend of falling birth rates and diminishing family sizes dating back (with the notable exception of the Hitler years) to the early 1900s (see chart).

By the early 1970s, the generstion of German children was less numerous than that of their grandparents and the number of deaths overtook that of births. Since then the margin has widened: at the turn of the century, Mr Miegel

A diminishing population

will have to carry a rising number of people too young or too old to work estimates, deaths will exceed births by 300,000 a year, rising by 2030 to a staggering 600,000 - equivalent to eliminating the city of Frankfurt every year. Between now and 2030, the number of Germans will

of eastern Germany. Miegel and Ms Wahl, that can be reversed through some gov-

decline by about 15m - not far

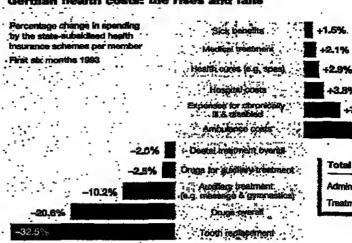
short of the current population

ernmental magic wand. The individualistic Germans of today are not going to be per-suaded to breed either through diktat or economic incentive. Even in eastern Germany whose apparently more youthful population results mainly from a higher death rate under communism thanks to poor health care and difficult working and living conditions - the birth rate has plunged since

unification.

Nor does increasing immigration represent much of a solution. True, the arrival over the last three years of some 3.2m new inhabitants - including asylum seekers and 1.4m "Aussiedler" of German origin, mainly from the former Soviet empire - has served to compensate for the declining number of Germans. But that is unlikely to continue. Germany has now tightened up its asy lum laws, and in any case is having severe difficulties integrating the newcomers, many of whom end up on the unemployment registers or outside the formal labour market.

Simply to make up for the continuing fall in the German population, the country would have to take 1.5m immigrants in the 1990s and 13.8m more between 2001 and 2030. It is inconcelvable that German society, or the country's political system, could handle an influx of this magnitude. One consequence of all this German health costs: the rises and falls



is an already perceptible "greying" of Germany. Today, one fifth of the population is 20 or younger and another fifth 60 or over. In 2000, the under-20s will still represent a fifth but the over-60s will have reached a quarter of the total; by 2030, only 16 per cent will be under 20, 46 per ceot will be between 20 and 60, and 38 per cent over 60. In short, within less than 30 years, a diminishing population of working age will have to carry a roughly equal, and rising, number of people either too young or too old to work -

at least under current laws.

in the role of the state. The most obvious burden will be on Germany's social welfare system. A rising number of over-60s - and indeed, thanks to medical science, of The effects will be felt in over-80s - spells increased

every corner of society. School

and university rolls will fall;

the shrinkage in the popula-

tion between 20 and 60 will dic-

tate changes in government

policies towards the labour

market; the country's infra-

structure needs will alter

the economy, and in particular

spending on health care, pensions and old people's care. Nobody seriously believes that Germany will be able to afford this without a substantial restructuring of the welfare state, involving some increase in private-sector provision.

+3.1%

-2.7%

Above all, the shifting shape of The economy will undergo the population will entail sigother - subtler but no less significant - changes. Property nificant structural changes in values could fall as elderly people sell off assets to fund their service needs; the manufacturing sector will diminish in relation to services; capital for infrastructure projects will tend be raised on a shorter term basis.

Mr Miegel and Ms Wahl even suggest that Germany's population shrinkage will over time serve to reduce its economic might: "In two generations, Germany might under realistic assumptions only be a medium-sized European power. Its population may not be, as today, the second largest in Europe after Russia's, but perhans the fourth or fifth largest after Russia, Ukraine and possibly elso France and Britain...And its population will be among the oldest in Europe and the world."

What, then, is to be done? There are no easy answers. Ideally, says the study, Germany would - while coming to terms with a some measure of shrinkage in its population - seek to offset it by adopting sensible policies on immigration and on the integration of foreigners, for example by allowing a greater number to become Ger man citizens.

Unfortunately, nothing like this is remotely on the cards. The word Bevölkerungspolitik (population policy) acquired an ugly ring in German politics as a result of its abuse during the Nazi period, and the current generation of politicians tends to regard these issues as too hot to handle.

Nevertheless, they will not simply go away. If Germany does not start sensibly to debate the structural questions raised by its shrinking population soon, then it will find itself grappling with them in a much more polarised political climate 10 years from now.
*Das Ende des Individualismus die Kultur des Westens zerstört sich selbst; Verlag Bonn Aktuell; September 1993

Quentin Peel on the contents and importance of the Rexrodt Report

THE report published by the German government on "safeguarding Germany's future as an industrial location" is an attempt to launch a national debate on the country's inter-

national competitiveness. It is a report on the high costs of German labour; on the growing burden of the welfare state; on excessive public sector involvement in the economy; on resistance in change and suspicion of high technology; on inflexibility of management as well as of lahour; on short working hours and machine running times; and on lack of competition in key areas of the German economy.

Some would argue that the entire subject, seized upon by Chancellor Helmnt Kohl and Ruthless self-examination

Ginter Rexrodt, as the most important theme in Germany in the coming years, has been dealt with far too negatively. The report fails to highlight the extraordinary strengths of the German economy, its stability, and its capacity to change - slowly but surely.

Yet all sides of the political and industrial spectrum now accept that the subject must be urgently discussed.
The Rexrodt report seeks to

address the issue not merely his economics minister, Mr . from an economic standpoint, but also philosophically.

On the philosophical side, it calls for a return to old values of thrift, initiative, competitiveness and creativity, combined with solidarity, tolerance and humanity: in short, the values that have underpinned the extraordinary post-war success of Germany's social market economy.

"After more than 45 years of reconstruction and growing prosperity, many of these valnes do not have the same weight which they once had,"

the Rexrodt report says.

"Not least in connection with German unity, It is clear that the readiness for innovation and change has diminished to an extent which presents the economy and society with considerable problems. "Structural changes are no

longer perceived as chances for social and economic advance, as well as for greater prosperity. They are seen as a threat in rights and assets, a threat identified with unemployment

The report, presented by Mr Rexrodt to the German parliament in September, spells out a whole range of problems and challenges which contribute in the concern over German com-

petitiveness, and then sets out

its own recommendations for

reform. At the same time it.

calls for a national debate on It sees seven major challenges to be accomplished: to create up to 5m new jobs in both halves of Germany. and thus wipe out the growing



level of long-term, structural unemployment: • to prevent the inexorable rise in state spending as a pro-

portion of national income, and

particularly to limit the rise in social spending;
to reverse the trends which leave Germany with the short-

est working week, the shortest

working life, some of the longest holidays, and the shortest machine-running times in its factories;

 to invest more state money in research into new technologies, and less as subsidies for uncompetitive old industries: • to cut back bureaucracy and red tape, which results in lengthy planning approval times for new projects;

 to cope with the dramatic changes in population structure, which will see one third of the population over 60 by the year 2030; and to reverse the trend towards

instead of technical and vocational training. The environment in which Germany must seek to meet Continued on next page

purely academic training,

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We tie markets together.



GERMANY 6

T THE end of September, Germany's most powerful employers' organisation, Gesamtmatall. provoked cries of outrage from the country's most powerful union, IG-Metall, by vowing unilaterally to cancel wage and benefit contracts covering 3.6m metal-hashing and electrical workers. Two days later, semior IG-Metall representatives sat down with leading machinetool manufacturers in Stuttgart to discuss a common strategy for saving jobs and improv-

ing the industry's performance. The two events illustrate the contrasting forces at work in Germany's highly structured labour market as employers and unions struggle with recession and with the need to face up to structural change. There is tension as employers' organisations adopt a newly aggressive approach to negotiations

on pay and conditions.
But there is also a continuing will to co-operate in the search for more flexibility in the organisation of work. Warnings that the "social partnership" that has kept the peace in German industry since the second world war is under threat are thus premature. The real question is not whether the two sides of industry will continue to manage their affairs largely by consen-sus, but whether this approach is capable of producing an adequate response to the struc-tural dislocation now facing

the German economy. That the labour market is an important component of Germany's problems cannot be seriously in doubt. On the ona hand the cost of lahour has been rising faster than productivity and than in Germany's main competitors, while machinery running times and tha working week are signifi-

other leading industrial countries. On the other, unemployment and short-time working have been growing rapidly, and an increasing proportion of the jobless total of 3.3m has been out of work for more than

What is more, portions of the economy - such as agriculture and, in some regions, construction - are becoming reliant on itinerant workers from such places as Poland and the Czech republic who enjoy none of the protection afforded the German workforce. The result is mounting polarisation between a diminishing but highly-paid workforce and a growing number of people either outside the formal labour market or with little hope of working again.

This, of course, is a pattern

familiar elsewhere in western Europe. But Germany's problem is more acuta. Lahour costs - including the social contributions that have been growing especially rapidly in recent years - are already higher than in any other industrial country. in 1992, the average cost of manufacturing labour in west Germany was nearly DM42 per hour, of which DM20 constituted ancillary costs such as health and pension contributions. The comparable figures in France. Germany's main trading part-ner, were DM28 and DM13, and in Portugal, DM9 and DM4.

Moreover, Germany's system of industrial relations is among the most rigidly organised in the world, subject to a bewildering battery of govarnment laws and centrally- negotiated collective agreements. Restrictions on working time, for example, meant that the average German worked 1.700 hours in 1992 compared with 1,900 hours

It is a similar story with

Population

Age structure Bon. Mires post-1987 trentgran 20-60 yrs

Non-working age groups Per 100 people aged 20-60

Birth and death rates

The spirit which forged Germany's post-war success is changing, says Andrew Gowers

The consensus is under strain

curbs on machinery running times: an average of only 53 hours a waak in west Germany, compared with 74 in the Netherlands and 77 in

In the good times, thie tightly-drawn framework has had the advantage of bringing order and stability to relations batwaan employara and workers, with the result that industry has German traditionally been freer of strikes than any other in the Group of Seven with the exception of Japan. But it can also be a drag on competitiveness. When things go wrong or when the economy suffers an external or internal shock, industry and labour find it hard to adapt.

As the economy ministry's recent report on Germany as a business location points out: "Social peace based on a productive consensus between

industry and labour is an important factor in attracting distributed than is earned. over time more than social peace will be endangered.

That is exactly what has happened with German unification, the consequences of which are still reverberating through the labour market in both eastern and western Germany. In the west, the economic boom unleashed by unification led unions to push for high wage settlements commensurata productivity increases: west German unit labour costs increased by an average of 4 per cent a year in the last three years, compared with 3.6 per cent in the US, 2 per cent in Japan and 3.1 per cent in France.

The disruption was all the greater in the aast. Rather than adjusting settlements to the much lower productivity prevalent there, unions and employers agreed to increase wages rapidly towards west German levels, causing an employment shake-out of a scale and speed not seen anywhere in the post-war industrial world. This goes to the nub of the issue confronting Germany's "social

pariners". To what extent is the corporatist approach to industrial relations that grew up during the long years of prosperity in the west now appropriate? Can employers and unions learn to respond more flexibly to the complex and widely varying challenges posed by unification? The omens so far are not all that

in the east, the agreement to raisa wages towards western levels continues to impose a crippling burden on industry,

necessitating heavy government subsidies to heavy companies still owned by tha Treuhand privatisation agency and causing many others to

Earlier this year, the amployers' organisation Gesamtmetall sought to achieve greater flexibility in the eastern Länder by revoking the commitment to equalise wages between east and west by 1994. IG-Metall furiously denounced the move as an attempt to break the entire national pay bargaining system, and called its members out on strike. Three weeks the two sides compromised with agreement to postpose full wage equalisation until 1996 and to introduce "hardship clauses" allowing individual loss- making companies to opt

But unless productivity rises

dramatically, a two-year delay in full equalisation will not make much difference to eastern industry's profitability, and the hardship clause is in tightly practice ao circumscribed that it has barely been invoked so far. in the west as well, the social partnership is under great strain, but not to the point of

breaking the mould. While the squeeze on profits has prompted employers to take aim at wages and perks, the unions are now sufficiently discomfitad by rising unemployment to focus more on the need to preserve jobs than on the pursuit of exorbitant wage settlements. The result in coming mouths seems likely to be another battle over working time and a moderate pay increase more or

less in line with inflation. "If we can reduce working time further and distribute it

more widely, that would be an important step," said Mr Walter Riester, deputy president of IG-Metall.

The government, for its part i is making efforts to improve the climate for industry. It has introduced measures to increase flexibility of working time, for example by easing restrictions on Sunday working and allowing longer machinery running times, and cut generous unemployment payments in order to curb social costs.

Whether all this will begin to address the deeper structural problems that many observers have identified in the German labour market, however, is another matter. Apart from bringing in a raft of expensive job-creation schemes in the east, for exampla, the government has shown little sign of heing ready to contemplate radical measures to get the jobless total down, or to tackle the problem of the long-term unemployed.

There was a programme last year aimed at getting long-term jobless back into work by offering them to employers initially at lower than normal wages. But although quite successful in its own terms, it was small in scale and has now lapsed pending further legislation. There are strong suspicions that the unions would resist anything more ambitious for fear that lower wages for the long-term unemployed would erode their own bargaining

As important in determining unemployment levels is the nature of wage settlements themselves, and there are those who worry that in this area, too, the German system proving insufficiently Continued on facing page

The Rexrodt report

Contd. from previous page

The most dramatic develop-

those challenges has also changed markedly.

ment internally is that of German unification, and ensuring the recovery of the east German economy is clearly the government's highest priority. At the same time it recog-nises that Germany faces an ever more intense competition for new investment, as the globalisation of world markets turers to base wherever they

Ancillary wages almost double the costs of employing extra workers

please. That competition is

increased by the need to open

the western European market

to ensure that the new democracies of the east have a chance to develop.

The problems spelt out by the Rexrodt report cover the full range of economic activity. He believes that the state has hecome involved in too many activities which could be carried out more efficiently by the private sector, and a privatisation programme, both at the federal and at the state level, is an important part of

his plans. He singles out the extremely high level not simply of wages, but of personnel ancillary costs in Germany. Ancillary wage costs amount to 84 per cent of direct wages today, thua

are dictated by legal obligations, in particular health, pensions, unemployment and social security, and 56 per cent are various fringe benefits negotiated directly by employers and trade unions, in addition to basic pay packets.

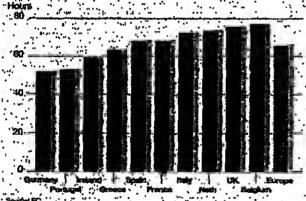
He mentions electricity costs for German companies well above the international average: and indirect costs aggravated by red tape, long planning procedures, extremely environmental legis tion, and building regulations. He also criticises German

companies for failing to invest enough in measures to improve productivity and rationalise during the past 10-year growth phase. And he criticises many German companies for a lack of innovation.

As far as state spending is concerned, Mr Rexrodt wants to reduce the absolute proportion of GDP spent by the public sector from more than 50 per cent today to the pre-unifica-tion level of around 45 per cent. Within that amount the emphasis should be switched to action which promotes investment, innovation, and employment.

He calls for cuts in public sector staffing, especially in east Germany, where remnants of the old communist system

He wants new subsidies to be limited, in principle, to a maximum of five years, or to be progressively decreased. And he wants to limit the public sector deficit to less than 3 per almost doubling the costs of cent of GDP by 1996 - in line employing an extra worker. Of with the convergence criteria



State spending quota a % of GDP (1982) 44.1%

for the future European economic and monetary union. As far as competition is con-

carned, he is seeking stronger powers for the national cartel authorities to implement EC competition law, as well as the establishment of an EC cartel office in Germany. He wants EC merger control more strictly oriented on the principle of competition. And he wants action against voluntary restraint agreements which violate cartel law.

The programme includes further reform of corporate taxadisincentives to new investment. This includes further action to dismantle taxes not related to earnings, such as the business capital tax and the so-called operational wealth tax. It supports taxation which encourages environmental pro-tection - like tha proposed ECwide carbon dioxide emission tax - provided it does not increase the overall corporate

tax burden On the employment front, the report calls for strict limitation on social benefits, including stabilisation and if possibla reduction in all the contribution rates for health, pensions, unemployment and old age care.

It seeks rapid parliamentary approval of the draft law on more flexible working hours. relaxing restrictions on weekend, holiday and shift-working. It proposes legalising private employment agencies for a test period of two years, to compete with the present state monopoly of labour offices.

In tackling excessive red tape and regulation, it calls for simplification of the approval process for genetic technology research; simpler planning requirements for new factories; and an overhaul of the complex of administrative procedures companies are required to follow.

As for privatisation, it sin-

The report says an EC

cartel office should be set up in Germany gles out federal government

holdings in Lufthansa, airports and seaports as a high priority, and the sale of real estate owned hy the state. It calls for speedy implementation of the reform of the Post Office, with the aim of abolishing the telephone service monopoly, and privatising the Deutsche Telekom, postal services, and post

It also covers the entire range of promoting research and development, higher education, vocational education, and secondary school educa-"Safeguarding the future of

Germany as an industrial location is for politics, the institutions and the people of our country the main task to be resolved in the years that lie before us," the report concludes. "When the people in Germany reflect upon their common interests in safeguarding the future of the economy, and act accordingly, Germany will master the challenges of the future.



German manufacturing industry Hourly productivity 1992 1993

Interview: FERDINAND PIECH OF VOLKSWAGEN

managers to blame

FERDINAND PIECH, chairman of the loss-making Volkswagen group, has disturbed many within the conservative German corporate establishment by his manners and way of doing business. But one habit of his in particular sets teeth on edge from Hamburg to

Munich. He insists on saying repeatedly that only 20 per cent of industry's problems stem from the labour force and that the rest is down to management. He claims that VW is in a mess because the group's previous management "failed to do its nomework". The inference is that the same applies elsewhere in Germany.

Piech's beliefs have led him to see himself as "a coach for the protagonists on the shopfloor". He argues that manage-ment should encourage labour to play its part in the restructuring of Standort Deutschland by transforming the way ordinary workers look at their

At VW the process is under way partly through the application of the established Japanese-based continuous improvement process, generally known as CIP, but known at VW beadquarters in Wolfs-hurg as KVP-squared. The squared element in the

formulation reflects the sense of urgency which Piech wants to instil in his labour force. He says that the company, which lost DM1.5bn in the first six months of this year alone, has two or three years to match Japanese quality and produc-

He brims with missionary zeal. "I am very little in my office. Most of the time I'm out in the plant. I am not there as an engineer. I'm looking on, seeing what's going right and what's wrong," he says. Piech is quite open about his

relationship with labour. His biggest shareholder is the Social Democrat/Green coalltion government of Lower Saxony. The VW supervisory board which gave him the job is dominated by trade union and Social Democrat interests. "If I have to reduce labour costs I cannot do it without their co-operation. I have to do It in a way in which they can survive, I can survive, the company can survive," he says. He puts his fingertips together. "It's a pyramid. If the

me, the higher level cannot trust me." Pyramid-building started on

lower lavel doesn't believe in

with Gerhard Schröder, prime minister of Lower Saxony, and a member of the supervisory board. "I showed him Toyota's Lexus plant - you don't need to be a technician to understand whan something is wrong. I asked him to count how many people he could see working." Out of around 200, Schröder saw one idle man.

"Go through any one of our European plants and you will see between a half and a third of the labour standing around. And I can explain it!" Piech wriggles with agitation. "It's not the fault of the workforce: it's our western organisation that's wrong. These people are not supplied with the things and the means to work efficiently. "It'a disorganisation macro-computerisation of

things that don't work." He has not been impressed by preceding VW boards' investment in automation. "It wrong for management to believe so deeply that automation, computers and systems can help you overcome lack of competitiveness," be declares. You have to organise and allow small groups of people to organise themselves, their logistics ... everything." At Honda, he adds, logistics costs amount to 0.5 per cent of group sales. At Audi, where he was boss until last January, the

proportion was 5.5 per cent. Given the chance, he says, be could convince even Chancellor Kohl, who "talks as though German labour does not work". He could show him places where for every four persons "working" another one is running around keeping them supplied with parts.

He moves swiftly on to deal with another of German industry's betes noires: absenteeism. The standard Japanese rate is 2 to 3 per cent compared with around 9 per cent at VW in normal circumstances. (It has fallen to 4 per cent now as concern about unemployment has swept the labour force).

Once again, the fault lies with management, which forgets that factory workers are human beings. As a result, motivation goes haywire. They think we treat them like electrical appliances - plug-ging them in and unplugging them as and where we like," he says. A man or a woman ordered to a new unfamiliar place on the line will tend to feel stressed. "Six hours later they'll have disappeared." Now, he says, people fearful for their jobs are coming to work a trip to Japan in company even though they are clearly

unwell. "We have to find a way to restore normal motivation so they stay at home if they are sick and come in if they

are not," he adds. Piech, an engineer confronting the toughest turn-round challenge in Germany, promulgates his philosophies with the fervour of the newly-converted. Company officials say the new approach has already led to DM700m in real savings. But it will be some time before these show up on the bottom line. A loss of DM1.25bn at the group'e Spanish subsidiary, Seat, has crushed all hopae of break-even this year. And now

management is in talks with the German workers' councils to prepare for possible production cuts for next.

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introducing short-time working - a euphemism for etopping production for as long as it takes to restore balance between output, stocks and

demand for cars. Current plans, approved by Piech's political and union partners, allow for a reduction of around 13 per cent in the German workforce in the two years to the end of 1994. The jobs are being shed by natural wastage and early retirement schemes. Management proposals for more radical measures are unlikely to be welcomed by the supervisory board or the workforce, on whom Piech so much depends for success.

Christopher Parkes



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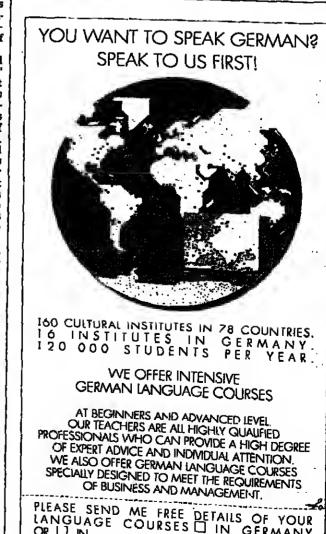
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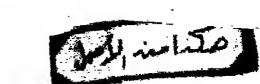


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TAS BOW by

In the financial services sector, the complaint from foreign investors is paradoxically just the opposite - that there are not enough rules. In the German securitias business, almost anything goes, a fact which Anglo-Americans used to highly regulated domestic financial markets tend to find disconcerting.

This unteutonic state of rulelessness is set to change. Barring unforseen mishaps, the German parliament will next year ratify the so-called Second Financial Markets Enhancement Act, designed to fill the gaps in Germany's investor protection environment.

As Horst Köhler, former state secretary in the German ministry of finance, acknowledged when he introduced the draft of the new law in Janu- a criminal offence, punishable

Tighter share dealing rules are coming - and not before time, reports David Waller

Slow birth of a watchdog

ary this year, the regulatory environment is not up to inter-national standards, to the det-riment of Finanzplatz Deutschland - Germany as a financial

"This is a breakthrough for Finanzplatz Germany's international competitive position," he said at the time, "and it should secure jobs and income m this fast-growing sector."

The most important provisions of the law are as follows: creation of a federal regulatory body for the securities industry. This Bundesamt für das Wertpapierwesen will employ at least 100 people. The new body will be the German equivalent of the Securities & Exchange Commission, the powerful watchdog of the US securities markets.

insider dealing will become

es. Financiers claim insider dealing is no more prevalent in Germany than in the UK or the IIS, but a series of scandals has highlighted the lack of such a law in Germany.

• a set of new rules designed

to encourage disclosure and transparency on the German equity markets. These include a requirement for all price sensitive information to be pub lished without undus delay. Companies will have to notify the German SEC about such announcements so the new authority can decide whether the companies shares should be suspended:

Companies will be obliged to disclose share-stakes when they reach or cross 5, 10, 25, 50 or 75 per cent. At present notification is only required when a shareholding reaches or

· a set of rules of conduct for participants in the securities markets. This will define professionals' obligations to their

The new law stops short of introducing a Takeover Code although leading bankers such as Rolf Breuer of the Deutsche Bank have started to call for this too - but it will mean major changes for Finanzplatz Germany. "As soon as we in Germany

really start to take the problem of insider dealing seriously," commented Gerd Häusler, head of the Main Credit Department at the Bundesbank reflecting on the implications of the draft law soon after it was published "many German market players who are not acquainted with the standard 'rules of ethics' abroad will experience

something of a culture shock, not least because of our extremely passive attitude over recent years."

In alluding to Germany's

extremely passive attitude", Hausler put his finger on a puzzling issue: if reform is tant, why does it take so long for it to be implemented? The draft law was first floated in January, 1992; it took another year before the draft appeared; it will not be enacted until the middle of next year, the German SEC is unlikely to be up

and running until 1995. The lack of any sense of orgency is more pronounced in another, related area: the reform of Germany's stockmarket structure. It took decades of squabbling between the country's eight regional exchanges before they could

bury their mutual rivairies deep enough to create the Deutsche Borse - the German stock-exchange - at the beginning of the current year.

The slow pace of change suggests Germany is not unhappy with its financial services sector, even if in some areas - for example regulation or market fragmentation - the Finanaplatz is behind international standards.
This is understandable. The

commercial banking sector divided into private commercial banks, state-sector banks and co-operative banks - is Banks are weathering the

current recession in Germany far better than their peers in other countries.

Moreover, the Bundesbank's staunch defence of the value of the D-mark over decades has



Finance minister Theo Weiget an unteutonic state of lewicegness

turned the national currence into the world's second largest The Bundesbank has

repressed innovation in the German financial markets - by blocking money-market funds, or holding out against derivatives or commercial paper until very recently - but this has m in the name of monetary stability. Many Germans feel that this has been a far greater asset for the country than a UK- or US-style financial services sector, Indeed, many Germans tend to assume that thriving, innovative financial markets - as in the UK or the weak economy. The fact that there are only 665 or so quoted companies in Germany, that the stock-market plays only a limited role in the country's economic life, is viewed as a structural strength rather than the opposite.

For as long as Germany has had the most dynamic manufacturing economy in Europe, there has been little need to challenge this assumption. The current recession, coupled with the costs of reunification, has changed this: Germany's traditional capital account surplus has swung into a deficit and companies are realising that they will be competing with the cash-hungry state for capi-

tal throughout the 1990s. . The source of capital at the margin is the foreign investor. whose needs have to be taken more seriously. Hence Germany has accepted the need for new securities market legis-

Labour's mood

Continued from previous page .

flexible. Agreements on pay and conditions reached through collective bargaining at national level, say the critics, cannot make enough allowance for differentials between regions and industries, however detailed and multi-faceted they may be. There are in any case considerable impediments on workers' ability to move.

More particularly, national pay agreements by definition cannot reflect the ability of individual employers to fund them. With an increasing number of German companies in financial difficulties, there is essure for more of a profit-related component in wage settlements, or at least for a looser national pay-bargaining framework which would set basic minimum levels but leave employers greater flexibility than at present to fix precise pay scales.

Here lies perhaps the most intriguing current pointer to how the German labour market will evolve in the next few years. For one of the biggest sources of stress at present is within employers' organisa tions such as Gesamtmetall. with small and medium-sized

member companies threatening to break ranks.

For them, the modest degree of flexibility built into the national pay-bargaining framework is no longer enough "Employers, especially in the Mittelstand, are complaining that they cannot afford to pay tha agreed minimum," says Prof Friedrich Buttler of the Garman labour office's research institute in Nuremberg. "They are threatening to leave tha organisations and make their own wage agree-ments. This is a challenge for the unions and for the

employer organisations." Some union leaders are already warning of the danger of growing inequality between different tiers of manufacturing industry, drawing what they see as an unsavoury comparison with Japan. "Look at Toyota," says Mr Riester. "It has good relations with its unions, but relations are worse in the supplier companies and worse still in the suppliers of the suppliers. It leads to the pyramid isation of industry."

Whatever you call it, as the cost squeeze on the Mittelstand companies intensifies that is beginning to look like the shape of things to come.

WITH the arrival of autumn, hopes have been falling that Germany's present economic malaise - which was the result of an excessive increase in the cost of labour - could be overcome by a concerted effort of all groups of society. Instead, tha country is bracing itself for another round in the fight over distribution of income between capital and labour, and the eastern and western regions. The remnants of Germany's famous social consensus are likely to be

groups, impervious to the appeals of the political establishment. Social consensus between workers and employers was the secret force behind west Germany's post war economic miracle, This consensus was forged in the hardships after the war, which could only be overcome if fric-

destroyed by powerful interest

tions in society were minimised. .The post-war social consensus came under attack for the first time in the 1975. The domestic social conflicts arising from a more aggressive union policy coincided with raw material producing countries' claim for a larger share in world income and the subsequent "oll crisis". At the same time, the German political climate deteriorated as the post-war generation began to challenge the social order created by the older generation.

The result of these conflicts was two recessions (1975 and 1982), a period of volatile and high inflation. high fiscal deficits and, at the political level, a bout of terrorism. The problems of the 1970s were eventually overcome by an armistice between

Thomas Mayer warns of higher inflation and a weaker D-Mark

Tug of peace intensifies

labour and capital - that cooled the disputes over income distribution and by integrating the rebellions generation into the political establishment. There followed a period of relative stability in the 1980s, with steady but mediocre growth, low inflation, strong exports and low fiscal deficits.

Although the appearance of peace-ful labour relations had been restored, the strong social consensus between capital and labour of the 1950s and 1960s had been lost. Instead, there was collusion among

special interest groups at considerable cost for the economy at large. As companies benefited from a long upswing and accumulating profits during the 1980s, German managers, who had been under no strong pressure to dis-tribute profits to share-holders, agreed more readily to union Unions, who are represented in the

supervisory boards of large companies, in turn tended to be more peaceful and to support management's corporate expansion plans. This cosy relationship between unions and managament came at the expense of shareholders and average workers. The former had to accept more modest returns on their investment while

the latter had to cope with rising (with west German wages probably structural unemployment as unions somewhat lower and east German were bidding up wages.

In 1990, unification shocked a west German economy where the dominance of special interest groups had led to severe procrastination. Instead of refuvenating it, as many optimists had hoped, the unification shock pushed it into overheating and subse-

The labour market's rigidity enabled unions to win rapid pay rises for eastern workers

quent collapse. The accession of the eastern states to the Federal Republic brought a limited increase in the national capital stock, but a large increase in the labour force. Market forces would have depressed wages relative to profits in response to the drop in the capital-labour ratio. But this would have undermined organised labour's position in unified Germany and possibly shifted the distribution of income against it.

Thus, unions strongly resisted downward pressure on wages. Instead of allowing wages in west and east to converge towards a new equilibrium

wages higher than before), unions succeedad in quickly pushing east

German wages up to western levels. When the Bundesbank failed to accommodate wage inflation with en easy monetary policy, profits and investment plunged and the economy went into recession.

The unions' success in pushing up east German wages was made possi-ble by a weak political and industrial leadership and a rigid organisation of Germany's labour market.

Especially at the beginning of the restructuring process, unions had to deal with the old managers from the former GDR who were often on their way out.

Moreover, the managers of the largely state-owned companies were working under a "soft-budget constraint", that is, they could agree to excessive wage increases well knowing that in the end the government and not their bankrupt companies would foot the bill.

Nor did politicians resist excessive wage increases. Eager to win east German votes, they avoided taking a stance against the idea of a quick convergence of east German wages to

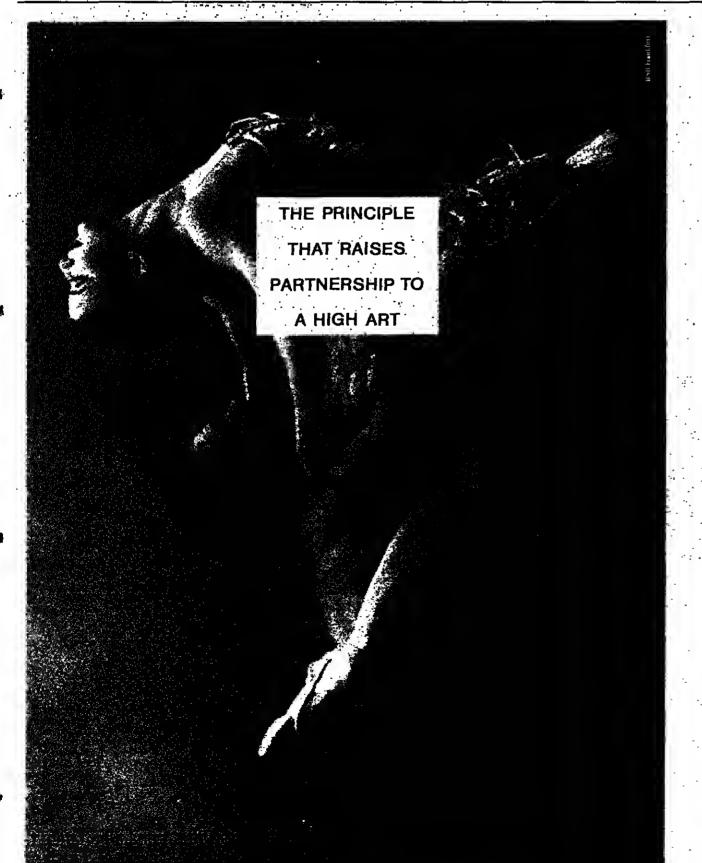
west German levels. Last but not least, as wage contracts were negotiated separately for west and east Germany and, as they were generally binding in each region, arbitrage was reduced: an east German worker who wanted to work in west Germany could not offer to work at a lower (eastern) wage to compete with west German job holders.

With the recession, the Government tried to ease wage pressures and to defuse the fight over the distribution of income by invoking Germany's legendary social consensus.

But the strategy to reduce peacefully the conflict of interests between capital and labour by forging a "solidarity pact" failed. What was possible in a society turned upside down by defeat in World War Two proved to be elusive in a country in the grip of powerful groups determined to defend their vested interests.

As the employers in tha metal industry recently admitted when they took the umprecedented step of ending the existing wage contract by year-end, there is now little alternative to the containment of wage costs through open confrontation.

With numerous elections due next year, economic policy is unlikely to give much guidance. Thus, should employers and unions fall to correct past wage policy mistakes, financial markets will enforce a decline in pan-German real wage growth through higher inflation and a decline in the Deutschemark's real exchange rate. ☐ The writer is sentor economist, Goldman, Suchs, Frankfurt



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Students' salad days are over

IN THE 1960s, a book called "The Educational Crisis" pointed out that only 5 per cent of young Germans went to university. It sparked a national debate on reforming the country's elitist educational system.

Today, politicians and the entire educational community are again locked in debate. But the situation has reversed: 30 per cent of young Germans, or 1.8m students, attend university, more than twice the number they can comfortahiy accommodate. And 40 per cent of them drop out after two or

Just as alarming, a third of all university students study for more than seven years, completing their courses well after the age of 28, the average age at which most German students leave university.

The popularity of the universities is slowly undermining Germany's much envied Dual System, which provides vocational training as an alternative to higher education end has produced a body of highly skilled young workers.

From the end of the war until three years ago, more young Germans preferred vocational training to university. The balance has since changed: there are now 1.8m university



ents: 30 per cent of young Germans go to university (Picture: Utrika Preuss)

students compared with 1.7m vocational trainees.

The trend has put financial pressure on the federal states. the Länder, which are responsible for all education costs other than buildings and infrastructure which are met by the federal government.

For the first time since the 1960s, the German states last year were forced to cut educa-tion spending by DM1bn to

To hring the rising costs of education under control and adapt It to the needs of a changing world economy, Chancellor Helmut Kohl has

taken a personal interest in the issue. Later this year he will chair a meeting of all state pre-miers and members of the educational establishment to discuss ways of narrowing the widening gap between the uni-versities and the market place.

He spoke recently of "a worrying academisation of our society" and an described the new halance between university students and vocational trainees as "unhealthy" for the prosperity of German husi-

There is also pressure from the private sector to reform the educational system. Together

discussed at Chancellor Kohl's roundtable this autumn. However, the influence of the federal government is limited to setting a general framework and educational policy is the responsibility of the Lander.

To change the system coherently, a rare show of crossparty solidarity will be needed hetween Lander of different political colours. They are bout to face a number of wide-ranging proposals from the federal government, includ-

Shorter study courses: Bonn wants secondary schooling to last 12 years rather than 13 as is now the practice in western Germany. Students should pass their Abitur, the comprehensive exam at the and of secondary school, when they are 18 rather than 19.

with some members of the edn-

cational establishment, husi-

ness associations are calling

for a radical rethink of higher

education in Germany, includ-

ing the fact that it is state-con-

trolled, free and accepts all stu-

dents with a high school

diploma. "The whole system

has to be changed if we want

to remain competitive interna-

tionally," says Mr Tyll Necker, chairman of the German indus-

The reforms long favoured

by the private sector have now

been taken up by the federal government which has out-

lined a series of measures to be

try federation, the BDL

This suggestion has been strongly criticised, especially by the opposition Social Democrats (SPD) end the teachers' unions. In eastern Germany, where secondary schooling usually lasted 12 years before raunification. Brandenburg, now controlled hy the SPD, recently changed to 13 years. There is also resistance on the right wing - from the Bavarian Christian Social Union a junior partner in the Bonn coalition, which fears that the quality of

education would be diluted.

The federal government also intends to discuss shortening the length of university studies. The idea is to charge students for spending more than the average time needed to complete a course. The SPD objects that this would discriminate against poorer students who interrupt their studies to finance their living expenses.

• More flexibility: The government suggests that university students who fail to graduate should be able to apply for jobs beld hy apprentices. In contrast, apprentices must be allowed to go to university at a later age. At the moment, the separation between the two systems remains too rigid, government officials say.

Education must to be closer to the needs of the market place. Technical universities, or Fachhochschulen, will only qualify for new funds if they offer courses in areas of industry which have growth pros-

pects, (such as recycling).

But this is proving difficult to implement at a time when Lander are cutting their education budgets.

 Universities must be reformed. The government is proposing wideranging measures designed to make universities competa with one another. While some universities are better rated than others, students at present tend to go to their local ones. Now the government wants to introduce open entrance examinations and to give universities more

financial say over courses and

FINANCIAL TIMES MONDAY OCTOBER 25 1993

staff appointments. However, there is enormous resistance to such reforms from the educational establisbment. Professors are public servants in Germany and enjoy special privileges and job security. There is nothing you can do to a professor unless he steals money," says Mr Hermann Riehl, director of the Christian Democratic parliamentary group in charge of education.

As a result, universities have tended simply to increase their courses without distinguishing between purely academic and applied subjects.

• Closer links between students and the working place. "We need to make sure that students are prepared for specific concrete jobs and that they get corporate training in work place," explains Ms Anke Brunn, education minister in the state of North Rhine-

Westphalia. However, the private sector, already hit by recession, cannot easily devote more resources to education Mr Necker, from the BDL stresses that businesses wantto be involved in formulating educational policy. But so far there is little private funding for new programmes.

Private sponsorship of onsite training and university teaching fell for the first time last year. Some 3,000 companies will offer 12,000 such programmes in 1993/1994, as compared with 12,000 places the previous year, according to the German Economic Institute in

Cologne, the IW. "Our educational system is not oriented toward perfor. mances but toward diplomas." says Mr Riehl. Government officials warn: without structural changes, long and expensive higher education will undermine the competitiveness of German companies.

Research and development

III winds from Cape Canaveral and central Asia

meeting of Germany's aerospace industry federation in September was sombre, verg-ing on suicidal, QUENTIN PEEL writes.

The venue was the splendid Petersberg hotel, overlooking Bonn from the mountains across the Rhine, but there was no other good news for the top executives, planners and customers of the industry.

The space men were the gloomiest: they are facing the probability of drastic furthar cuts in Germany's international space programmes, such as the Hermes space shuttle and the Columbus space station, which will put many of their jobs in jeopardy.

"We have already stretched all our programmes to the absolute limit, by slowing down spending," according to one senior manager. "From now on it is going to hit our jobs. The latest American deal with the Russians will leave us out in the cold."

There was little of cheer for them from their colleagues in the defence and civilian air craft industries. Deutsche Airbus is laying off 2,700 workers ter 2000, the defence industry's prestige product, has just had its maiden flight postponed hy another six months.

Mr Wolfgang Piller, president of the federation, was apocalyptic. "If you know the strategic importance of the aerospace industry, and then consider its public standing and apparent value in public opinion, and in wide sections of the political establishment, you can only conclude that there is a grotesque lack of proportion," he said.

"In completa contrast to Japan, where aerospace has been declared a 'strategic industry', in Germany there is far more concern about the dying industries of tha 19th century than there is recognition of the unique potential of aerospace."
Throughout German indus

try, and not just in aerospace, there is a growing fear that the country is becoming hostile to

innovation.

Mr Paul Krüger, the new minister of research and technology, spelt it out in a series of guidelines for future government policy last July. "Fear of new technologies and the control of the new technologies, rather than creativity, dominates German society," he warned. "Our greatest efforts are devoted to fencing off innovation poten-tial, rather than liberating and

Couraging it.
Our first reaction, even to quite small steps into technological virgin territory, is far too often hysteria, rather than justified vigilance, soberness, and confidence in our own cre-

Yet the government is hy no means hlameless in according the research sector less than top priority. Mr Krüger, a new minister from east Germany, has been unable to prevent his budget from being frozen in nominal terms, at DM9.47bn, and therefore effectively cut. "I am not content, but I can live with it," he said.

What he is trying to do now is focus his limited funds on key priorities - with environmental research, health, transport and energy top of his list. He wants to do far more to promote better links between the conservative basic research establishments, and German industry. He wants to stimulate more competition for cash. Above all he wants a debate on the benefits of new technology, rather than the dangers.

As for the European Space Agency, to which Germany is suposed to pay DM1.17bn next year, Mr Krüger believes he can still negotiate "significant According to Mr Frieder

THE mood at the annual Meyer Kramer, head of the Fraunhofer Institute for ... systems technology and innovation (ISI) in Karisruhe, per capita spending by the federal government fell from DM126 for western Germany in 1989, to DM117 for the united Germany in 1993. The growth of R and D spending fell from 7.1 per cent in 1981-89, to 3.4 per cent in 1989-91. As a proportion of gross domestic product, total public and private R and D spending has slipped from 2.88 per cent in 1989 to 2.66 per cent

in 1991 Much of the decline can be attributed directly to the huge cost of unification, and the need to make cuts in virtually all other hudgets. Nevertheless, Mr Meyer-Kramer, whose institute is the country's leading researcher in the fashionable field of technology foresight, fears that "the crumbling technological competitiveness of the federal republic will simply worsen" if

the spending decline continues. Mr Konrad Seitz, former head of the planning department at the foreign ministry, has argued that Germany is in danger of getting caught low wage competitors and high technology competitors, failing in both tasks. He argues for a huge effort to switch to "new"

There is a widespread fear that Germany is becoming more hostile to innovation

With you a

technologies such as informa-tion technology, biotechnology, new materials, new energy sources, and aerospace

Mr Meyer Krahmer disagrees. "I don't believe this is sensible, because it makes no allowance for the traditional strengths of the German economy," he says. "Germany's strength is concentrated partic ularly in engineering, transportation, chemicals and pharmaceuticals. We should reinforce our traditional strengths through the application of new technologies, like information echnology.

He says it still needs a con-siderable change in industrial thinking. "The motor industry, for example, needs to see itself as a 'mobility industry', dedicated to the goal of providing all sorts of instruments and

au sorts of instruments and systems for ensuring mobility — with or without cars."

ISI published a Delphi report earlier this year on the expectations of German industry, suggesting 87 different "critical technologies" on which Germany should concentrate in the future. A key element is the future. A key element is that technologies can no longer be compartmentalised, because it is precisely in the borderline areas that the most exciting advances are being made, as in hio-informatics, and optical electronics.

Mr Meyer-Krahmer also defends the fragmented state of the German research industry. and rejects calls for higger. more concentrated research centres. But if the fragmentation remains, there is a hig need for better inter-disciplinary communication.

He knows there will not be any more public cash for the immediate future. "The cash tills of the federal government." and the states are empty, when it comes to financing new costly initiatives in the coming years. Public financing of esearch has reached its limit."

One answer he suggests is increasing privatisation of the publicly financed research industry. "If we are thinking about mobilising more private capital for our temporal infracapital for our transport infrastructure, why not for research infrastructure too? I am sure this will become a central theme in the coming years."





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Polluters in revolt

ENVIRONMENTAL protection in Germany is like mother-hood: no one would dare to

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Environmental issues remained the number one public concern until last year. when it was overtaken by crime and unemployment.

Green affairs cut across party lines. Some of the toughest environmentalist laws were adopted in the 1980s under a conservative government. In the September elections in Hamburg, the Green party saw its support double from 7 to 14

per cent. But with the recession biting hard, the private sector has sent clear signals to the government that environmental policies need to be rethought. It argues that high environmental expenditure makes it harder for German companies to compete internationally.

The debate is in full swing: the government reiterates the formula that "the polluter pays"; industry calls on the government to go easy on environmental legislation.

We need a breathing space to allow companies to implement existing requirements," explains Mr Manfred Schneider, member of the board at the Bayer chemical group.

Other business leaders claim environmental requirements are slowing investments. According to Mr Adolf Huttl chairman of Kraftwerk Union, Siemens' power subsidiary, investment is being diverted from new power stations.

Problems also arise in the public sector. German municipalities, responsible for waste water treatment, are increasingly unable to finance the last ges of clean-up laws adopted in the early 1980s.

Assessing the share of total costs represented by environmental expenditures remains difficult. Figures differ according to the speaker.

Government officials say environmental expenditure accounts for only 0.7 per cent of total costs. Consulting groups estimate that they lie between 1 and 2 per cent. The OECD, in its report on the environment in Germany. reported that such expenditures could be as high as 3 per cent in the manufacturing sector. But e company such as Bayer, spent 8.5 per cent of its turnover, or DM1.5bn, on environmental protection last year.

The German industry federation, the BDI, recently urged the government to implement two changes in its environmental policies to ensure that German enterprises were not put at a disadvantage.

First, it wanted a simplification of complicated and hureeucratic environmental procedures. "We end up with an information deficit which is particularly dangerous for our small and medium-sized enterprises," says Mr Arnold Willemsen, director for environmental issues at the BDL

Second, it says the govern-ment should set targets but let industry decide how they can

"Companies want more mar-

So much waste has been reclaimed that industry is unable to recycle it

ket-oriented solutions to the environment. They don't want to just be pushed into a corner," explains Mr Franz-Joseph Fraundorfer, managing director for the environment at Arthur D. Little in Germany,

Government officials have been on the defensive. "Environmental protection is not e luxury for sunny times. It remains an important goal even under difficult economic conditions" says Mr Wolfgang Schäubel, leader of the ruling Christian Democrats in parliament and a key adviser to chancellor Helmut Kohl. But the government has

responded to some of the industry's demands. Earlier this month, the parliament adopted a law which considerably simplifies the procedures needed to conduct research in bio-technology. Previous procedures, which were time-consuming and bureaucratic, had made research companies prefer to open laboratories in other countries, such as in the US, rather than in Germany.

The government is also considering allowing more choice over how to comply with a proposed law on recycling of consumer goods. Rather than

demand recycling at any cost, the law should allow enter prises to burn refuse if such methods are "economically more viable".

A lesson has been learned from the law which set high recycling quotas for household waste packaging. The nearbankruptcy of Duales System Dentschlands (DSD), the national collecting and recycling system set up by industry, has provided food for thought. DSD has eccumulated more waste nackaging than it can recycle partly because industry led to develop the recycling technology in time to meet the targets set by the law.

Such problems caused the government to think twice ehout how industry should meet 'environmental targets. It is now considering incineration for household waste disposal - a method long opposed by politicians who viewed it as environmentally unacccepta-

However, changing policies will meet public resistance. For example, local pressure groups are opposed to the construction of waste incinerators in their communities.

Government officials point out that the need to metch high environmental standards has led the private sector to develop the equipment to do so. The manufacture of environmental products and technologies now provides jobs for 860,000 people in Germany, according to Mr Klaus Töpfer, the environment minister. The industry, which last year had a DM40bn turnover, is expected to grow by between 6 and 8 per cent next year.

Environmental technology has also become a valuable export for German companies who hold 21 per cent of the world market in this sector. In 1990, the industry exported 40 per cent of its turnover, as compared with 10 per cent in the US and 6 per cent in Japan. "Environmental protection is

a chance for German industry to show its competitiveness, says Mr Gerhart Baum, liberal deputy in charge of the parliamentary environmental committee. That still reflects the mood of the government.

R FRIEDHELM GIESKE, the tough-talking boss of mighty KWE, Germany's sixth largest industrial group, and its biggest electricity generator, does not mince his words.

He does not like the sort of ideas being proposed in Brussels for more open competition in the European electricity market. He does not think they are fair. If it is going to hap-pen, ha is determined that all the operators in the EC market should face the same ground

"The German electricity industry, in so far as it falls under European competition rules, must have the same operating framework, the same risks and opportunities, as the rest of the European industry." he said recently.

He does not think that is true today.

The industrial price of elec-

tricity in Germany is around six pfennigs per kilowatt-hour more expensive than in France. "Energy-intensive industry is already looking for other locations outside Germany, hecause of the high costs," says Mr Thomas Klante, spokesman for RWE.

The German utilities - there are more than 1,000, but the industry is dominated by the Big Three, Bayernwerk in Bav-aria, PreussenElektra in Hanover, and RWE in the Ruhr insist the reason is not their inefficiency or lack of genuine competition. They blame a series of "special burdens" imposed on the German industry which have made it clearly

The first is the political uncertainty hanging over the future of nuclear power generation in Germany, where all construction of such power stations has come to a complete standstill. Nuclear power provides just 34 per cent of German electricity, compared with some 70 per cent in France.

The second burden is the

cost of supporting Germany's indigenous hard coal industry, whose output costs around DM275 per tonne, compared with a world market price of around DM85 per tonne. Most of the difference is made up by German consumers, who pay an ill-named "coal penny", now amounting to a 7.5 per cent surcharge on their bills, to subsidise domestic coal. But the electricity utilities claim that. even with that cash, they still have to cross-subsidise coalburning power stations with Ariane Genillard | their cheaper nuclear power.



German MPs visit a nuclear power station; construction of all new plants is at a standard

Electricity faces commercial war, says Quentin Peel

Alternating currents

The third burden is the very strict environmental legislation in Germany, which has imposed higher standards of pollution, health and safety than in most other EC countries. Now the German government is a prime mover for a carbon dioxide tax in the EC which would ironically hit Germany hardest, because it burns more coal, above all soft brown coal, in its power stations.

Finally there is the unique burden of rebuilding the east German power supply and distribution network, estimated to require an investment of at least DM46bn over the next 10

All of those issues are now on the table at an extraordinary round of negotiations between the relevant government ministers, the opposition Social Democrats (SPD), the electricity utilities, and the trade unions, to thrash out an "energy consensus". It is peculiarly German, unstructured, and unpredictable in its conse-

quences. The nuclear debate, for a start, looks hopeless. The Greens, who had earned their seat at the table because they are part of ruling coelitions in at least two key state governments - Lower Saxony and Hesse - where nuclear power is generated, have walked out because they have been unable to force through its total abandonment. The SPD is divided

between outright opponents of nuclear energy and cautious adherents. In the ruling coalition, the Bavarla-based Christian Social Union (CSU) is strongly pro-nuclear, while the rest are sympathetic but prag-

The irony is that the pro-nuclear and pro-coal lobbies have strong common interest. Both sides argue that, as German coal is so expensive, the

Nuclear power is under a political cloud and coal depends on subsidies

country can only afford it if it compensates with cheap

nuclear power. We are not in competition with nuclear energy," says Baron Alfred von Spies, head of the German coal industry federation. "We believe in an energy mix, because it is secure in terms of supply and in terms of risk, Preserving an energy mix is the reason we can afford high subsidies for

hard coal." It is the reason the SPD is divided. Leaders from the big coal mining areas, such as Mr Johannes Rau, premier of North Rhine-Westphalia, know that the end of nuclear power in Germany means the end of indigenous coal-mining," says Mr Thomas Roser, director of the nuclear lobby

group in Bonn, the Deutsches

On the other hand, the power industry is divided. Bayernwerk, in the south, is heavily dependent on nuclear which already energy, accounts for about 70 per cent of its power. RWE and Preussen-Elektra, in the north, could switch to other sources: they could go for coastal power stations fired by gas or imported coal. So they are less commit-

The issues on the agenda of the consensus talks are daunting. They must decide on the acceptable operating life of the 20 nuclear power plants which are working. They must decide on an acceptable way of either reprocessing or disposing of their nuclear waste. Nobody really expects them to succeed yet in deciding whether to go ahead with a new generation of

N-plants.

On the coal front, they must decide on a subsidy system to replace the coal penny which is acceptable both to the European Commission, and the German power industry. For once they are arguing in the same direction. The former wants absolute transparency in coal subsidies, and a plan to phase them out. The latter wants a system which will make the price of German hard coal competitive with the world market price, so they pay no hidden

subsidies. The answer would

appear to be some form of direct coal tax, payable to the

As for the environment they must decide on the future of the carbon dioxide tax. That is fiercely opposed by the indus-try, above all RWE, which gets the largest portion of its power supplies from brown coal.

"If the CO2 tax is introduced here, then brown coal will be uncompetitive (with imported coal) from that moment on," says Mr Klante. "It is currently the only primary energy source in Germany which has been and will be available in large quantities, and which is not subsidised."

Brown coal is also the source of virtually all power generation in east Germany: 95 per cent in 1992. For the preservation of jobs in east Germany, and for its economic future, brown coal is essential.

The East may yet prove to be the soft underbelly of the mighty electricity utilities' total domination of the Ger-

man industry.
The Big Three thought they had the market sewn up with the Stromvertrag (electricity contract) they signed with the transitional East German gov-ernment, even before unification. The contract was challenged by 164 local authorities in the German constitutional court, because it restricted their rights to generate their own power supplies.

The two sides have limped towards e compromise, which allows the local authorities guaranteed access to the utilities' grid.

At the same time, the Treuhand privetisation agency, backed by the finance ministry in Bonn, has decided to bring foreign investors into the brown coal mining industry, instead of leaving it all to RWE's Rheinbraun. A consortium of Britain's PowerGen and NRC of the US looks set to buy Mihrag, the middle-German opencast mining operation, and, with it, access to the east German grid.

So the utilities are suddenly fighting on three fronts: in

Brussels, Bonn and Berlin, Mr Gleske is angry. He insists that the east German brown coal industry will only be economic as a single entity. But if the political authorities are determined to bring in outsiders, so be it. They must live with the uneconomic consequences, he says. Few who know him believe be will give in without a bit more of a

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WHEN the history of the Treuhand, the egency charged with restructuring and privatising eastern German industry, is written, it will he recorded that never before had an organisation been charged with privatising an entire economy in such a short space of time.

It is one of the largest privatisations ever undertaken. No doubt, other large seli-offs will follow - probably in Russia.

The economic historian will also show how the agency, hastily created in the ebbing days of communist rule in eastern Germany, provoked ferocious criticism from eastern Germans - even more criticism than the former communist state received.

Mrs Birgit Breuel, head of the Treuhand. explains the intensity of thet criticism. "Our bad reputation in eastern Germany results from our job to reduce their jobs." In pursuing its mandate, the agency in one sweep effectively repisced a state-run economy with an institution committed to the market economy. It believed there was no alternative: no half-way house between a centralised and market economy.

In the early days, the Treuhand made terrible mistakes. When it started its operations on Leipziger Strasse in Berlin in July 1990, west German companies rushed in to make quick killings. These took two forms. They bought the cream of eastern German companies to keep out foreign competition. Also, they bought companies to secure the real estate, and then closed them down.

IF AN investor is considering locating in Bitterfeld in the eastern state of Saxony-Anhalt, it would be best to ignore the raised eyebrows and comments from those who have not seen this large 1,500 acre industrial site since unification, writes

Instead, it would be more useful to read a short novel, called *Flugasche*, by Monika Maron. As a young writer and journalist. Ms Maron was commissioned in 1978 to write an article extolling the virtues of socialist state planning in eastern Germany's chemical sector, which was con-centrated around Bitterfeld.

In those days, the only thing that glowed in the region was the flames rising out of the vast furnaces, which in turn contaminated the atmosphere and filled the air with a stench so foul that breathing was often difficult.

Ms Maron did not stick to her editor's brief. Horrified at what she saw, she chose to tell the truth about Bitterfeld; the hazards; the working conditions; the way eastern Germany's chemical sector was managed. She paid the price. Three years later she had to leave for west Germany.

More than a decade later, the Treuhand. the agency charged with restructuring and privatising eastern German industry, emharked on an amhitious programme aimed et turning Bitterfeld into e site for tomorrow's high technology entrepreneurs. The enormity of the challenge is obvious when set against Ms Maron's novel. The question is whether the agency

will achieve its ambitious goal. The agency inherited an extraordinary Judy Dempsey reports on the rapid progress of history's biggest auction

How the state withered away

Mrs Breuel does not deny any of these charges. However, the Treuhand had no instruments for privatisating the 13,000 enterprises placed in its charge. "Wa had nothing but the law at that time," said Mrs Breuel. "We had no tools, no rules, not even a list of the companies for which we were responsible. We had to do everything at the same time. Find out the companies and all the other things for which we were responsible. Build up a team and the manpower, and develop our own rules," she adds.

The rules quickly evolved. Even if any investor bought an enterprise for a token D-Mark, he or she had to guarantee a certain number of jobs and a level of investments spread over several years. Through this system, the agency has saved 1.5m jobs and secure investments totalling DM180bn after privatising nearly 13,000 companies. But 2.5m people were made redundant

For its part, the Treuhand agreed to pick up the enterprises' losses, and environmental liabilities. The Treuhand debt stands at DM280bn - eastern Germany'e total GDP for this year is estimated to be

DM90bn that have been, or are still due to be taken over from eastern German state enterprises targeted for privatisation; bonds already, or in the future, to be issued by the Treuhand to finance its current activities, including the restructuring and operation of unsold enterprises and debt servicing (by 1995, these will amount to DM145bn); contingent liabilities, including the costs of environmental clean-up.

> For social reasons the Treuhand often cannot afford to close enterprises which have no hope of being competitive

which will exceed DM45bn.

The agency's job is nearly complete. What remains of the Treuhand's work includes a contracts department which will monitor the implementation of the investment and job guarantee commit-ments; the real estate arm of the agency; the sale, or renting and selling of agricul tural and forest land; and the remaining 1,390 enterprises still on its books. The latter employ a total of 259,833 people. But some of these enterprises will not be easy to privatise, let alone restructure. They

way coach manufacturers, the agency now finds that it is being pulled between the

machinery, and engineering sector.

The Treuhand has set up five manage-

ment companies under which several

enterprises will be placed to be restruc-

tured by western German managers with

the aim of eventually privatising them.

But, along with Buna, the giant chemicals

plant, and Deutsche Waggonbau, the rail-

politicians, economists and bankers about the fate of these companies.

For social reasons, the Treuhand cannot afford to close down these plants. Neither the politicians in Bonn or in the eastern states would support such a move; federal and state elections take place next year. On the other side, economists and bankers are loath to see the west German taxpayer subsidise enterprises which have no hope of ever becoming competitive.

It is no wonder Mrs Breuel believes the agency has become a scapegoat, or a

The debt consists of bank liabilities of include the uncompetitive chemical, heavy shield for the politicians. "For quite some time [the agency was e scapegoat]. This was the idea of our job, actually: to have distance between the politicians and the Treuhand's enterprises. No politicians in the world could have taken our decision. I myself am convinced that It was a very clever idea...

A debate about the fate of these "core" companies which once formed the backbone of eastern Germany's manufacturing and industrial base is now in full swing. Furthermore, economists are asking about the impact the newly-privatised sector will have in helping to create a basis for a new competitive industry.

Perhaps it is too early to answer this question particularly since the Treuhand's work has taken place against the backdrop of three factors: the collapse of the mar-kets in eastern Europe and the former Soviet Union; the recession in western Germany, which has affected investments and orders in eastern Germany; and the insistence of former east German managers, west German employers, and IG Metall, the engineering trade union, to bring eastern German wage levels up to west German levels by 1996. This is despite the

fact that productivity in the east is about 65 per cent below its western counterparts. However, some general observations can be made. First, the common complaint made hy investors is that the lob guarantees and investment commitments are too inflexible. Mr Heiner Flassbeck, chief economist at the Berlin-based German Institute for Economic Research, argues that managers cannot rationalise forther to generate higher productivity - and eventually profits - because of the con-

Mrs Breuel says contracts can be made more flexible - for example, investments can be spread over a longer time span. So far, ebout 10 per cent of the privatised companies are seeking the renegotiating of the contracts. It is unclear how many will be unable to survive even if the contracts are made more flexible. But Mrs Brenel is adamant the Treuhand will not buy hark companies. "Our mandate is to privatise"

A key indication of the success of the privatised companies will emerge over the next few years when the contracts expire If they have weathered the recession and the high wage levels. will they retain er indeed expand their labour force; or, if they shed johs, will there be sufficient growth in the eastern German economy to absorb those who are made redundant? The Treuhand would relish a Yes to both questions. It would confirm that it has laid the basis for a new competitive industry. It would also answer the critics.

Bitterfeld was synonymous with the GDR's industrial pollution. Now it is courting new investors

Technology and green sites for sale

complex of chemical industries which produced more than 3,000 different items ranging from chlorine, potassium hydroxide and sodium hydroxide, to magnesiumaluminium alloy. It also inherited a workforce of 29,000.

In 1988, Bitterfeld's annual turnover was about 4bn Ostmarks. The sales were targeted on eastern Germany's large manufacturing sector, as well as exports to eastern Europe. But monetary union, and the collapse of Comecon, the socialist trading bloc, quickly exposed Bitterfeld's uncompetitiveness. By 1991, the workforce had en cut to 11,000, and turnover had fallen to DM490m. By the end of this year, the labour force will have been further reduced to 2,300, turnover will have dipped to DM300m, and losses will total DM80m.

In order to make Bitterfeld attractive for investors, the Treuhand decided not to sell the sector as one big block. Instead, as Mr Dieter Ambros, head of Chemie AG, the Treuhand-backed bolding company for this sector, explains: "We decided to put up different parts for sale". This meant first breaking up the giant Kombinate, or original company, into 135 units, and then preparing each one for privatisation hy introducing an accounting system, hiring managers to run them, and restructuring

them. So far, the Treuhand has privatised 45 per cent of Bitterfeld's assets, which total DM2bn. In addition, it has attracted DM2bn in private investment. Above all, it has managed to bring to the region som of western Germany's leading chemical and pharmaceuticals, including Bayer, and Heraeus Quarzelas. The latter is the first plant in Europe which will produce synthetic quartz glass for semi-conductors,

mining sector, sums it up. "We want to turn Bitterfeld into a modern industrial parkand we want to make the region competitive.

To achieve this aim, the agency has adopted a four-pronged strategy: modernising the infrastructure, maintaining a high level of incentives, introducing e mix of industry, and minimising red tape. Along with the costs of restructuring the

The nagging question is: why should investors come to Bitterfeld, when they can go to eastern Europe or remain in west Germany?

and for the optical fibre industry.

The 64-year-old Mr Ambros, a former manager of BASF, who came out of retirement because he believed he could use his skills to modernise the eastern German economy, has used every possible contact to bring investors to Bitterfeld. "Those who invest bring other people," he says. But there is still the nagging question as

to why investors should come to Bitterfeld, particularly when they can go to eastern Europe or remain in west Germany. Mr Klaus Schucht, a member of the Treuhand's board, who is responsible for eastern Germany's entire chemical and

chemical industry, the Treuhand has allocated about DM11bn in cleaning up the site, installing new waste water treatment plants, and a solid toxic waste disposal recycling centre spread across 175 acres. 'A modern infrastructure is the key to

attracting investments," says Mr Ambros. He adds that Bitterfeld now includes, besides some of the most modern recycling and waste disposal units, its own digital telephone and satellite network. In other words, the fact that the region has had to be completely restructured has meant that it is now equipped with some of the most modern infrastructure.

The Treuhand has also put in place crucial investment grants. These include 8 per cent bonuses for procurement and production of new, depreciating moveable real assets; subsidies up to 23 per cent for commercial enterprises; and special deprecia-tion allowances of about 50 per cent for procurement and production of immovable ssets, expansion, and subsequent construction works. In short, an investor can write off 45 per cent of costs through tax relief, investment allowances and subsi-

Diversification is also important. As Mr Ambros argues: "We are working towards establishing bere a mix of industry: a third concentrated on chemicals, a third chemicals-related, and a third on other business, such as services."

But products produced at Bitterfeld need markets. At a time of world-wide recession in the chemicals industry, and a recession in west Germany, surely the idea of expanding to or locating in this potential industry park is fanciful.

"In Germany, the problem is a struc-tural one. The Germans are God-damn lazy. They have the shortest working hours and the longest holidays. We do not intend to repeat those traits at Bitterfeld," says Mr Ambros.

In contrast, he cites the administration at Chemie which, with local councils, has cut through bureaucracy, red tape and endless delays in planning, a common fea-ture in west Germany. Chemie will continue to privatise local services, such as beating and maintenance.

The Chemie head concedes that investors can go across the border to eastern Europe. "But what we offer is very high technology. Greenfield sites here will be turned into the most efficient and modern in Germany." be says. "You have to remember that there is a century-old tradition of chemists in this region." (IG Farben, dissolved after the war because of its mass use of slave labour to aid Hitler's war effort, was based at Bitterfeld.)

Mr Ambros reckons his work will end by the middle of next year. By then, a new holding company structure will have been created, giving managers of the privatised companies membership on the board. He hopes to privatise most of the remaining services, which will bave the effect of reducing the current DMs0m losses.

But the Treuhand's work at Bitterfeld is not yet over. About 15 per cent of the site has still to be privatised. The agency might bave to liquidate those enterprises which have little chance of survival, thus pushing up the unemployment rate, or else subsidise them for some time yet.

In the meantime, Mr Ambros remains. confident that Bitterfeld can slowly attract investment and expertise. "We expect to have 3,200 new jobs by the end of 1995 once some of the large plants are up and



Bayern. At the peak, research at its peak.

in Bayern, research is paramount. At the very peak of the Zugspitze, Germany's highest mountain, station. Though e bit lower in

eltitude, the state's other scientific institutes (the headquarters of the world-reknowed Mex-Planck end Fraunhofer institutes are in Bayem), universities, polytechnics end technology transfer agencies all conduct research et the same high

They also produce the high-quality personnel staffing the state's highpowered companies. These compa nies and their high-performance products have scaled the heights of Should we have heightened your interest in doing business in

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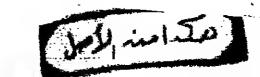
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The welfare state is not faring too well, Quentin Peel writes

GERMANY'S generous social state is caught in e double

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On the one hand, the demographic trends are resulting in an ever increasing aged population, needing greater health care, residential care, and pensions, while the actual size of the working population is shrinking. That is a problem common to virtually all the

western industrialised world. On the other hand, the traditionally generous German benefft system has been knocked sideways by the sudden advent of 17m new potential claimants from the former east Germany, wanting full benefits, but only just beginning to make any insurance contributions now.

The result has been an explosion of costs, which has sud-denly focused attention on the capacity of the German economy to carry on paying so

When the total cost of social spending passed the DM1,000bn mark this year, reaching rather more than one third of gross domestic product, it brought the problem home to

Unlike the UK system, German insurance funds are self-financing

the ordinary citizen. Yet he already has a very precise idea of what the rising costs mean

The three pillars of the German welfare state - health insurance, pensions and unemployment insurance - have always been generous in their benefits. Unemployed workers, for example, have until now received two-thirds of their former salary for 32 months, and then a few percentage points less, indefinitely.

Unlike the British system, where social security payments and income tax payments are effectively all part of a single kitty policed by the Treasury, German insurance funds are self-financing, and contribution-driven. It is only when payments outstrip contributions that the state must step in to make up the shortfall. .

Germany to allow insurance contributions to rise as social than switch a part of the burden to the general taxpayer. The result has been a rising burden, not only on-individual workers, but on their employTax and social security payments

16 W 76 of GDR (1992) 44.5%

ers, for they share the insur-ance contributions for all three funds on a 50:50 basis.

The proportion of gross income which the employer and employee must jointly pay in insurance has risen from just 26.5 per cent, in 1970, to an estimated 39.2 per cent next year, thanks to a two percentage point jump in pensions' contributions.

According to the Economics Ministry's big policy paper on Securing the Future of Germany's Economic Base, total labour costs in Germany are now running at DM42 per hour, of which ancillary costs - mostly social contributions are no less than DM20. The comparable figures in France are DM28 and DM13, and in Portugal DM9 and DM4

The limits of social policy should be set where the social framework and redistribution of income starts to endanger overall economic performance, because economic incentives are weakened and the individual responsibility of both citizens and enterprises is undermined," the paper says.

The aim it sets out is to stabilise contributions for health, pensions, and unemployment, and in the medium-term, start to reduce them. It is much more easily said than done. . In the first place, the govern-

ment is committed to introducing a fourth pillar to the social ions that the state must step security system – an insurance n to make up the shortfall. system for residential care for lb has always been easier in the old and handicapped. whether they need to live in homes, or be cared for in their

At present such nursing care is financed by local authoritie but the rapid rise in the elderly population has put a well-righ intolerable burden on their

The burden grows heavier

native system. Chancellor Helmut Kohl and his Labour Minister, Mr Norbert Blüm, seem to see the scheme as a vote-winner in it will not result in any improvement in mursing care in the near term. It will simply

Their problem is how to finance it without adding yet another brick to the piller of social contributions. After three years of painful

negotiations, the answer they have come up with seems to have pleased no one: they suggest cutting the number of national holidays in the calendar from 10 to eight, or instead, allowing workers to choose to take a 20 per cent pay cut on those holidays. In this way, they say, employers will be effectively compensated for the increased insurance contribu-

The workers are furious, and the employers unpersuaded. The former are simply mad to be paying more contributions, and losing precious holidays to compensate their bosses. The latter believe that the scheme will anyway soar in costs - one

year straight away - leaving the "compensation" far behind. As for the rest of the social spending, the real problem ites now with unemployment bene-

With the sharpest downturn since the war, and unemployment in the two halves of the country expected to rise from 3.3m today towards 4m next ment benefit short-time working allowances, tob creation schemes and the like have

rocketed. The Federal Labour Office faces a deficit this year, in spite of its increased unemployment insurance, of around DM27bn on total spending of some DM114hn.

A huge share of that is the cost of labour market measures, retraining and the like, in east Germany. Yet the cost is borne entirely by western workers who pay unemployment insurance - which excludes all public servants, and all the self-employed. That is another cause of deep bitterness among ordinary workers and the trade union move-

Provided the Germany econonly soon rises from recession and eastern Germany starts on the path of self-sustaining estimate puts it at DM13hn a growth, the costs of unemploying, but that there is a growing apart from reducing the how in the long-term old age



Enjoying transfurtors in Hamburg: the high standard of living is financed by ever fewer wage earners

smaller still.

the manageable. The long-term problem

remains how to-deal with the demographic change. On that score, Mr Gunter Rexrodt, the economics minis-

ter, can only appeal for a national debate. As he points out, it is not just that the population is age-

ment benefits will return to trend towards early retire- able-bodied workforce, it care can be guaranteed, withforce, caused by the low birthrate, is further reduced by early retirement, and the base for social contributions is

> "The present trend towards early retirement must be reversed in the medium to long-term," he says. Quite

ment. So the shrinking work- results in "the inhumane out overburdening the younger exclusion of productive and generation." willing older workers from the ranks of the economically

active". The pensions burden stretches into the future, Mr Rexrodt's paper says. "This question must be discussed now, and e decision reached on

It is a question which will involve the length of a normal working life, promotion of larger families, expected migration, pension reforms, the development of the labour market, and future incomes. And it is a debate which is only just



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■ WORKERS' PERKS

From spa visits to communion dresses

WHEN German industrialists even, in the case of some gripe about high labour costs - Daimler-Benz workers, contrise they do most of the time - butions to the cost of their as they do most of the time — they tend to harp about the unbearable burdens of statutory extras such as health and unemployment insurance and taxes. Government policy, they say, actively damages efforts to achieve full employment.

Mr Günther Rexrodt, economics minister, smartly whacked the ball back into the employers' court in his recent paper "Securing the Future of German's Economic Base". Yes, indeed, he noted, 84 per cent of gross pay in manufac-turing industry was accounted for by ancillary costs. This

Employers tend to pay up rather than risk -. strikes -

reduced the opportunities for pay policy to be more closely related to productivity.

But less than half of these

extras were ettributable to government: 56 per cent stemmed entirely from deals between employers and unions. Lack of strife and consensus between employers and unions was certainly an important factor in Germany's attractions, he wrote. "But when companies. listribute more than they earn. in the long-term more is put at risk than social peace."

Mr Rexrodt was making e non-too-subtle allusion to a tendency among employers to pay up rather than risk strikes. Over the years basic pay deals have been padded and embel-lished with a bewildering array of extras and perks. Varying from industry to industry they include holiday bonuses, payments for education, recuperation and having babies. Travel subsidies or free transport to and from work are commonplace. Other benefits include interest-free loans, bonuses for 10, 15 and 20 years' service, heavily subsidised or free canteens and work clothing, paidfor visits to health spas, and

children's first communion dresses and suits.

Typically, the cash components have been included in the calculations of annual pay increases. So, for example, a union deal on basic pay has usually been applied to the basic rate plus all the extras. It was Robert Bosch, the

arch-conservative electrical and electronics giant, which first tested the "social peace". when, in April, it told its workforce that this year's previously agreed 8 per cent pay rise would apply only to the besic rate. Non-union workers had their pay cut 3 per cent. Fur-ther, it said, it wanted to cut other benefits

Some 10,000 employees were bused into Stuttgart to protest as negotiations started with the workers' council. To no avail. Last month the company announced it had achieved its targeted DM180m savings on "voluntary" elements of pay. Economies on the basic pay rise arrangement brought total savings to DM250m. That still left the group's ancillary labour costs at around DM700m a year, but progress had been made. At around the same time, the

Mercedes-Benz management announced savings through similar cuts in "traditional" extras worth some DM200m a

Elsewhere, negotiations grind painfully on, and there is no shortage of frustration on both sides. The head of one big engineering group, for example, where point shop employees have long enjoyed the right to a free annual holiday in the mountain air, shakes his head Under modern health and safety regulations, paint shops are among the healthiest places in a factory. "We've had it checked," he says. "For goodness' sake, the air in there is cleaner than in my office."

Christopher Parkes

The health service is ripe for financial surgery, says Ariane Genillard

On to the operating table

BY the year 2,000, one person in two in German hospitals is expected to be aged 60 or older. Today, 42 per cent of hospital patients are near or past retire-

To finance health care for its ageing population, the German labour force will continue to fece increasing social security payments. Payroli contributions to health insurance funds have steadily grown in the last 10 years, and equal nearly 7

per cent of gross earnings. Shared equally between employees and employers, these surcharges are among the ancillary costs burdening German businesses and undermining their competitiveness. Keeping health costs under control is a key priority for the Bonn government as it attempts to safeguard Ger-

many's manufacturing base. Mr Horst Seehofar, the federal health minister, can claim considerable success in reducing spending since his new bealth care law took effect on January 1, 1993. By squeezing budgets for doctors and hospi tals, the reforms have curbed the amount of drugs and treatment being prescribed. For the

drugs and treatments above the spending levels of 1992. series of penalties have also been introduced making

first six months of the year.

per capita health spending

decreased by 2.7 per cent, after

a 9 per cent increase last year.

But politicians and medical

personnel now agree that fur-

ther reforms are needed to

solve the health service's struc-

tural weaknesses. A group of

experts in the health ministry

is studying how to improve

efficiency. Without more

reforms, it is claimed, financial

cuts could lower the standard

In a rare show of harmony.

Without more reforms,

the quality of care will

suffer, says officials

Garman political parties

agreed to support the new law

which took effect et the begin-

ning of the year. Its reforms were directed mainly at the

medical profession - the law

limits their ability to prescribe

doctors financially responsible for over-prescribing. Doctors'

of public funding.
The Interior Ministry's culture budget is to be slashed next year to barely half its current lavel - down from DM1.3bn to DM701m in 1994. If the Bundestag passes the draft budget - and it has been sharply criticised from both sides of the house - it will

Under the unification treaty, the eastern states were to receive cultural aid of DM650m a year from 1990-94, to tide them over their immediate financial problems. The Finance Ministry has axed that money from the 1994 budget in Its latest round of drastic savings measures, and a declsion is still pending on whether it should be rein-

Also open is the question of which institutions will be faced by cuts in 1995. Among them associations must pay the cost of excess prescriptions up to a total of DM280m, which is said to equal 1 per cent of their combined annual fees. Moreover, hospitals which over-run their 1992 budgets will not receive aubsidies and must

The new bugetary limits had an immediate effect on spending. Per capita health spending has fallen 2.7 per cent in the first six months of the year. The sharpest drop affected drugs, with retail sales plunging by 21 per cent for the

incur debts at the banks.

As a result, the state-subsidised health insurance scheme is back in the black. Last year, the scheme, which offers nearly full coverage to 90 per cent of the population, recorded a DM9bn loss. For the first six months of 1993, it achieved a healthy surplus of

Mr Seehofer was also trying to influence the public's behaviour. Germans spend more on drugs and treatment than any other European people except the Frencb. "A patiant never wanted to leave a surgery without a prescription. Doctors

DM2.6bn.

took advantage of this to overprescribe. This has now changed," says Mr Frank Montgomery, from the independent Marburger association of doctors. "We have succeeded in changing the behaviour of everyone involved in the health care system," claims Mr Seehofer.

However, the reforms have horrified health workers. According to the federal associ ation of pharmacists, 20,000 jobs are threatened by the new law. Doctors complain that their earnings have been hit by the ceiling on their fees.

The biggest impact has arguably been on the established drug houses whose sales fell by 11 per cent in the first six months of the year. By con-trast, sales of cheap generic drugs rose 12 per cent for the period Both health workers and the

pharmaceutical industry say such developments will harm their ability to prescribe stateof-the-art medicine. Doctors, who face a morato-

rium on the opening of new medical prectices (except In understaffed areas), claim the law is too restrictive. The mor-



In a Berlin children's clinic; doctors will be po

atorium was introduced to slow the rapid growth in the number of Germany's doctors over the last 12 years it douhled to the present 260,000. The pharmaceutical industry, meanwhile, warns that lower earnings will hit research bud-

Mr Michael Hansen, of the Bosion Consulting group, says that "reforms cannot work in the long-term if lhey are against the medical profession. There is growing awareness that better management must be introduced in the system. And doctors have to see bene-fits in the package," be says.

However, the present system of care is riddled with dnplication and red tape. Waste stems primarily from the system of payment, under which each medical provider is paid for the service provided to the purchaser. In prectice, this means that doctors and hospitals have a a financial interest in dupli-

cating services. Independent medical bodies have suggested that physicians should be allowed to oversee the entire cost of a patient's treatment. Fees could also be charged not on a service basis but for the treatment accorded to each patient. An average fee

per member of the national health care system would be established, so that patients requiring little treatment

those needing expensive care. There is also a need for a hetter flow of information within the service, to ensure the avoidance of duplication in examinations and diagnosis of patients' ailments. This implies closer links between hospitals and health services in the community. In some regions, local doctors associations have introduced a patient card, which gives doctors private access to patients' medical his-

would indirectly subaidise

tory. In order to win partiamentary approval - the opposition Social Democrats control the Bundesrat (the upper chamber) - the government's reforms will need the support of all German parties.

Germany will also have to tackie the looming problem of an ageing population.

Recent efforts by the Born government to introduce new social security payment to finance residential care for the elderly and chronically ill have run into difficulties.

un into difficulties. Social Democrats oppose the idea that employers should meet some of the cost of additionel surcharges out of employees' pay. Employers' associations for their part oppose a move which would further increase their cosis.

recession

The new residential care plan would save money for hospitals. Ms Ingrid Hassel. hlatt-Dledrich, of the Hart-mann doctors' association, the largest professional body of its kind, says that a quarter of elderly patients whose care in hospital is covered by thete insurance contributions, would not have to be in hospital at all if alternative care was avail. able for them in their own homes.

But conflicting economic and political interests have so far blocked the new residential care plan. It remains to be seen if there is still enough political will to break the logiam.

■ HE closure last month of two of Berlin's most famous theatres, the provided a grim illustration of how public funding for the arts is under pressure as a result of the recession.

The Bonn government and tbe federal Länder say they want to preserve a wide and varied range of cultural activities. But because of the strain on their finances, thay are having difficulty living up to their ambitions.

In contrast to Britain and the US. where the erts are financed by a mixture of subsidies and private sponsoring, German theatres are largely publicly supported. Ticket sales yield only about 15 per cent of their income, and the rest comes from the public purse, overall a total of some DM4bn for theatres, operas and

At federal government level, the Interior Ministry is responsible for cultural affairs. It promotes only cultural projects of

national importance - such as the annual Bayreuth festival. The Länder and local authorities account for the lion's share

threaten a host of projects, above all in eastern Germany.

could be the German Music Council, which supports young musicians and sponsors national concerts and concert tours. The Bach archives In Leipzig, the Society for the Promotion of the German Language, the Berlin festival, and the Ruhr festival could all be affected, along with film promotion activities, and the pro-

tection of monuments. One thing is certain: sweeping cuts are on the way. But one area may be spared. The Bayreuth festival, the Nuremberg national museum and Munich's German museum are all thought to be safe: they are all prestigious projects in Bayaria, the home state of Mr Theo Waigel, the Finance Minister in Bonn.

At the state and local level.

have acceptad cuts. Art galleries have been unable to obtain new pictures, and have had to put on fewer exhibi-tions. Some municipal theatres have been forced to close for weeks et a time, and some

an integral part of the cultural landscape. The end result of the direc-

tors' meeting, bowever, was very modest - an agreement between the individual opera houses setting common salaries for singers, thereby ending

Unlike UK theatres, which have private and public backing, most German theatres are publicly funded

Theatres are closing and orchestras slimming, writes Patricia Naatz

When the patron backs out

state radio light orchestra and the Berlin symphony orchestra, have disbanded.

The directors of the big opera houses have tried to form a joint plan to face the crisis. Mr Götz Friedrich, director-general of the Berlin opera,

competition between them. The federation of German

theatres has argued that no other country has such a variety of theatres and operas as Germany. They insist that they should go on being publicly financed, because of the vital contribution they make to the

their towns and cities. But in one way they do want to change their public status; as far as their employees are con-

cerned. There are seven different agreements on wages and working conditions in German theatres, with five different trade unions. Because they are in the public sector, many employees enjoy the statutory privileges of public servants. The theatre federation wants its members to become independent enterprises, and then to have a single wage deal for all employees

The one other way in which they hope to save money is in agreeing to more co-productions, or exchange of productions between several theatres.

house react to the financial squeeze? At the Frankfurt opera, the city's plans will reduce overall cultural spending by DM50m next year. Job cuts are inevitable. Personnel and edministration costs account for almost 85 per cent of DM65m total spending. The remaining 15 per cent are earmarked for artistic purposes,

such as guest stars. Mr Martin Steinhoff, the managing director, says that as many as 350 of the 1.000 employees may have to be dismissed. This means that of 135 musicians today, barely 80 will he kept on. It means that presenting a Wagner opera in future would be out of the question, because tha opera choir would be too small, Repertory theatre would become impossible, because there would not be enough stage bands to raise and dismantle

the sets every evening. The upshot is that only much more limited productions of short duration and

and then only with guest performers, and not with a resident ensemble.

The wholesale privatisation of cultural facilities is not seriously under discussion. As revenues from ticket sales account for such a minor share of thea. tre and museum budgets, the gap is considered too wide to

In Berlin, the city's cultural department quite simply Schlosspark theatres to survive without subsidies. They had long been criticised for poor management and boring performances. With e budget of DM41m, they were the highestsubsidised theetres in the country - a daily subsidy per seat of DM100!

The decision to close them was greeted in the theatre world as "an artistic assassination attempt". There were appeals to President Richard von Weizsäcker, the former mayor of Berlin, to save them. To no evail. The question is, where will the axe fall next?

Getting it right on the first take

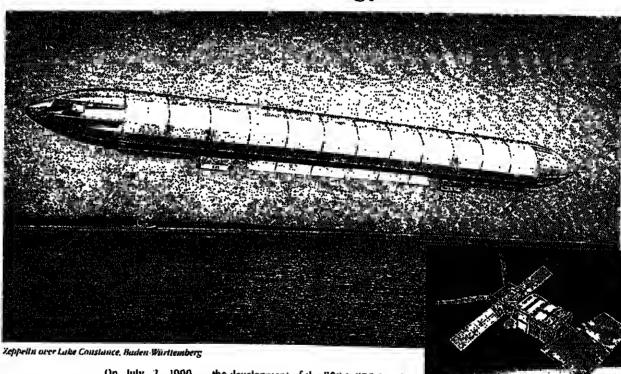
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the development of the ERS-1, ERS-2 and Envisat-1 reconnaissance satellites. The ascent of the zeppelin marked the

start of a new century and a ocw direction of industrialization, then mainly characterized by the mutor car. Invented in Baden-Württemberg hy Gnttlich Daimler and Carl Benz, the automubile did much to bring about change to the industrialized

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